

ORIGINAL

Decision No. _____

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

---oOo---

In the matter of the application)
of LINDSAY HOME TELEPHONE AND) Application No. 2324.
TELEGRAPH COMPANY for authority)
to issue bonds.)

A. M. Robertson for applicant.

BY THE COMMISSION.

O P I N I O N.

This application as amended by leave of the Commission, requests authority to execute a deed of trust on applicant's property securing a bonded indebtedness of \$15,000.00, represented by 150 six per cent serial bonds of the face value of \$100 each maturing from 1919 to 1933 inclusive, and to issue at 93 per cent of their face value, bonds of the total face value of \$8,000.00.

A public hearing was held in Lindsay on June 21, 1916. From the evidence it appears that applicant operates a telephone exchange in an area comprised within a six mile radius of the center of Lindsay, Tulare County, with the exception of a small portion of said territory which is operated from the exchange at Exeter.

Applicant's entire capital stock, consisting of 25,000 shares of the par value of \$1.00 each, is now issued and outstanding; 8084 shares of which were issued in part payment for the original plant purchased by ap-

plicant, the remaining 16,916 shares having been issued and sold on a basis which netted applicant an average of 72.6¢ per share. It further appears that applicant's sole indebtedness, with the exception of its current bills, consists of two notes in favor of the First National Bank of Lindsay aggregating \$4800.00, one note for \$3300.00 which was issued December 15, 1914, the other for \$1500.00 which was issued January 11, 1915, both of which mature in January, 1918.

It further appears that applicant purchased its original plant from one J. G. Kirkman in 1911, at a total price of \$15,945.00 represented by \$7,861.00 in cash and 8084 shares of stock of the par value of \$1.00 each. Applicant submitted an inventory of the reproduction cost of its physical property totalling \$19,856.67. No allowance was made by applicant for depreciation, but according to the testimony the central office equipment is not more than four and one-half years old, the remainder of the equipment varying in age from six months to three years. No appraisal has been made of applicant's property by the Engineering Department of this Commission and nothing in this opinion shall be construed as passing upon the value of the reproduction cost of the same. Applicant submitted the following statement of its income and surplus accounts for the last three years:

INCOME & SURPLUS ACCOUNTS

	<u>1913</u>	<u>1914</u>	<u>1915</u>
Operating Revenues	\$6,698.72	\$7,616.88	\$7,990.61
Operating Expenses	<u>3,405.42</u>	<u>4,033.53</u>	<u>4,657.73</u>
Net Operating Revenue	3,293.30	3,583.35	3,332.88

INCOME & SURPLUS ACCOUNTS (Cont'd)

	<u>1913</u>	<u>1914</u>	<u>1915</u>
Net Operating Revenue	\$3,293.30	\$3,583.35	\$3,332.88
Taxes	-	278.04	331.18
Miscellaneous Deductions	-	17.90	-
Operating Income	3,293.30	3,287.41	3,001.70
Non-operating Revenue	106.60	99.36	-
Gross Income	3,399.90	3,386.77	3,001.70
Interest deductions	-	209.74	-
Amortization of debt discount and expense	-	1,175.77	783.84
Net Income	3,399.90	2,001.26	2,217.86
<u>Disposition of Net Income:</u>			
Depreciation Reserve	920.41	1,323.98	1,559.00
Balance transferred to surplus account	2,479.49	677.28	658.86
Balance in surplus account at beginning of year	-	2,479.49	2,043.47
Total	2,479.49	3,156.77	2,702.33
Dividends	-	-	1,000.00
Amortization unprovided for elsewhere	-	1,113.30	-
Surplus at end of year	2,479.49	2,043.47	1,702.33

Applicant also submitted a balance sheet as of December 31, 1915, an abstract of which is as follows:

BALANCE SHEET.

ASSETS

Fixed Capital	\$28,661.47
Cash	506.52
Due from Subscribers and Agents	610.39
Accounts Receivable	375.46
Unextinguished discount on capital stock	1,234.54
Unamortized Debt, Discount and Expense	333.17
Total Assets	\$31,721.55

LIABILITIES

Capital Stock	\$25,000.00
Bills Payable	4,800.00
Deposits	47.50
Accounts Payable	171.72
Corporate Surplus Unappropriated	1,702.33
Total Liabilities	\$31,721.55

Applicant desires to apply \$4800.00 of the proceeds of the proposed issue to retiring its notes above mentioned and \$2554.82 thereof to reimbursing its treasury for various expenditures. Applicant furthermore states that it plans to use the money so reimbursed in changing its system from a magneto to a common battery equipment.

As suggested at the hearing, this Commission does not consider the creation of a bonded indebtedness the best manner of financing as small a company as applicant; it considers it far preferable for a company of this size to meet its temporary requirements by note issue and its permanent requirements by stock issue, but under all the circumstances of this case, including the fact that applicant has made arrangements with Bank & Trust Company of Central California to purchase all of the bonds herein authorized to be issued at 93, while it might have some difficulty in selling its stock, and the fact that the entire expenses of creating the bonded indebtedness including attorney's fees, trustee's fees and the printing of the bonds will not exceed \$275.00, we find that applicant should be authorized to create the bonded indebtedness as requested - upon the distinct understanding however, that it will endeavor in the future to meet its capital requirements by the sale of additional stock rather than by the issue of the remainder of its bonds. Applicant has failed to file a draft of its proposed deed of trust and our order will accordingly be conditioned upon the submission of a mortgage or deed of trust satisfactory to this Commission.

We shall not authorize applicant to reimburse its treasury, as its request for such reimbursement was made,

according to our understanding, merely for the purpose of furnishing funds with which to install a common battery equipment, provision for which is made in the following order.

O R D E R.

LINDSAY HOME TELEPHONE AND TELEGRAPH COMPANY, a corporation, having applied to the Railroad Commission for an order authorizing the creation of a bonded indebtedness of \$15,000.00 and the issue of \$8,000.00 face value of bonds at not less than 93 per cent of their face value, and a public hearing having been held upon said application, and this Commission finding that the purposes for which said bonds or the proceeds thereof are to be used are not in whole or in part reasonably chargeable to operating expenses or to income, and that the application should be granted, subject to conditions hereinafter set forth,

IT IS HEREBY ORDERED that Lindsay Home Telephone and Telegraph Company be and the same is hereby authorized to execute a mortgage or deed of trust of all its property to Bank & Trust Company of Central California, of Fresno, to secure a bonded indebtedness of \$15,000.00 face value of serial bonds maturing from 1919 to 1933 inclusive, said bonds to be of the face value of \$100.00 each, and to bear interest at the rate of six per cent per annum.

IT IS HEREBY FURTHER ORDERED that Lindsay Home Telephone and Telegraph Company be and the same is hereby granted authority to issue \$7,800.00 face value of said bonds.

The authority herein granted to execute said

mortgage or deed of trust, and to issue said bonds, is granted upon the following conditions and not otherwise:

1. Lindsay Home Telephone and Telegraph Company shall issue said bonds so as to net said company not less than 93 per cent of the face value of the principal thereof and accrued interest thereon.

2. Before the mortgage or deed of trust herein authorized shall be executed, or the bonds herein authorized shall be issued, applicant shall present to this Commission in duplicate a draft of said mortgage or deed of trust and shall have obtained a supplemental order from this Commission approving the same.

3. The proceeds of the bonds herein authorized to be issued shall be applied as follows:

(a) To refund applicant's two notes to the First National Bank of Lindsay, referred to in the foregoing opinion....\$4800.00

(b) To change applicant's present magneto equipment to a common battery equipment, approximately \$2454.00

Total \$7254.00

4. No bond herein authorized to be issued which matures earlier than the average date of maturity of all the bonds herein authorized to be issued, shall be issued or sold before all of the said bonds of a later maturity have been sold.

5. Applicant shall before issuing any of the bonds herein authorized furnish this Commission satisfactory evidence as to the rights or franchise under which it operates in the city of Lindsay.

6. The authority herein granted to execute the mortgage or deed of trust above mentioned and to issue the bonds as above mentioned, shall apply only to such mortgage or deed of trust as shall have been executed and to such bonds as shall have been issued on or before March 31, 1917.

7. Lindsay Home Telephone and Telegraph Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the bonds herein authorized to be issued; and on or before the 25th day of each month the company shall make a verified report to this Commission stating the sale or sales of the said bonds during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order in so far as applicable is made a part of this order.

8. This order shall not become effective until applicant has paid the fee specified in Section 57 of the Public Utilities Act.

Dated at San Francisco, California this 28th day of August, 1916.

Public Utilities Commission, State of California

Fee \$ 75.00
1.00

AUG 27 1916

H. C. Mathewson
Secretary

Max Helem

H. S. Loveland

Edwin O. Edgerton

Frank D. Wilson

Commissioners.