

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

Decision No. 3961

In the Matter of the Application of
THE PACIFIC TELEPHONE AND TELEGRAPH
COMPANY for an order authorizing
the purchase by said company of the
entire issued capital stock of
RIVERSIDE HOME TELEPHONE AND TELE-
GRAPH COMPANY.

Application No. 2622.

Pillsbury, Madison and Sutro, by H. D. Pillsbury,
and James T. Shaw, for Petitioner.

THELEN AND GORDON, Commissioners.

O P I N I O N.

The Pacific Telephone and Telegraph Company, hereinafter referred to as the Pacific Company, asks authority to acquire the entire issued capital stock of Riverside Home Telephone and Telegraph Company, hereinafter referred to as the Riverside Company.

Both corporations are incorporated under the laws of California.

The petition alleges that the Pacific Company desires to acquire from J. E. Fishburn 2378 1/2 shares of the capital stock of the Riverside Company at such prices as may be agreed upon between Petitioner and Mr. Fishburn. The Pacific Company agrees that the price to be paid for said shares of capital stock will not be claimed by it before the Railroad Commission or any other public authority as representing for rate fixing, or any other purpose, the fair value of the property of the Riverside Company. A stipulation to this effect by the Pacific Company is on file herein.

A public hearing on this application was held in San Francisco on December 21, 1916. No one appeared in opposition to the granting of the petition.

The affairs of the Riverside Company and of the Pacific Company in so far as its Riverside business is affected, were care-

fully investigated by this Commission in Application No. 2174, being an application by the Riverside Company for authority to sell its property to the Pacific Company and of the Pacific Company for authority to acquire said property. Reference is hereby made to the opinion and order made on November 6, 1916, in Application No. 2174.

The Pacific Company has acquired the entire issue of bonds of the Riverside Company of the face value of \$275,000.00, with the exception of one bond of the face value of \$500.00. The Pacific Company represents that it paid for these bonds the sum of \$168,253.44.

In February, 1913, Pacific States Telephone and Telegraph Company, a public utility telephone company, the capital stock of which ^{was} ~~is~~ owned by the Pacific Company, undertook to acquire the controlling interest in the Riverside Company's capital stock. Through what the Pacific Company now alleges was an unintentional oversight, the Railroad Commission's consent was not asked for or secured, as provided by Section 51(b) of the Public Utilities Act. Hence, the title to this capital stock has never passed, as a matter of law, from Mr. J. E. Fishburn, at that time the owner thereof. The Pacific Company reports that it paid for the capital stock of the Riverside Company the sum of \$75,325.00, and that it paid, through the instrumentality of Pacific States Telephone and Telegraph Company, an assessment on said stock amounting to \$20,217.25, making a total of \$95,542.25 paid for this stock directly and as an assessment. On December 29, 1915, Pacific States Telephone and Telegraph Company purported to sell this stock to Bell Telephone Company of Nevada, another "Bell" concern, and the stock now appears on the books of the Bell Telephone Company of Nevada as an "investment security." The money to purchase this capital stock was advanced by the Pacific Company. It is now proposed to secure the necessary order to legalize the

transfer of this stock to the Pacific Company. The Pacific Company then proposes to disincorporate the Riverside Company and charge against its surplus the amount paid for the capital stock of the Riverside Company, amounting to \$95,542.25. In view of the fact that there is no value to the property of the Riverside Company in excess of the ~~unpaid~~ face value of its bonds, even if value exists to that extent. as shown in the decision of November 6, 1916, made in said Application No. 2174, it will be entirely proper for the Pacific Company to charge against its surplus the entire cost of acquiring the capital stock of its competitor in Riverside.

We recommend that the application be granted, subject to the conditions contained in the order herein, and submit the following form of order:

O R D E R.

THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY having filed its petition asking authority to purchase and acquire the entire issued capital stock of RIVERSIDE HOME TELEPHONE AND TELEGRAPH COMPANY, and a public hearing having been held and this proceeding having been submitted and being now ready for decision,

IT IS HEREBY ORDERED that The Pacific Telephone and Telegraph Company be and the same is hereby authorized to acquire the entire issued capital stock of Riverside Home Telephone and Telegraph Company on the following conditions and not otherwise, to-wit:

1. As agreed to in the petition and stipulation of The Pacific Telephone and Telegraph Company on file herein, said company, its successors and assigns, will never claim before the Railroad Commission or any other public authority that the amount to be paid by The Pacific Telephone and Telegraph Company for

said capital stock of Riverside Home Telephone and Telegraph Company represents for rate fixing, or for any other purpose, the fair value of the property of Riverside Home Telephone and Telegraph Company or any part thereof.

2. The Pacific Telephone and Telegraph Company shall charge against its surplus the entire cost of acquiring the capital stock of Riverside Home Telephone and Telegraph Company and shall, within ten days after the necessary entry or entries have been made on its books, notify the Railroad Commission to that effect. .

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 29 day of December, 1916.

Max Thelen

Alexander

Edwin C. Edgerton

Franz R. Gehl

Commissioners.