

Decision No. _____.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the Matter of the Application of)
THE PACIFIC TELEPHONE AND TELEGRAPH)
COMPANY for authority to purchase)
trust deed certificates representing)
preferred capital stock of the United)
States Long Distance Telephone and)
Telegraph Company.)

Application
No. 3202.

Decision No. 11167

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

EDGERTON, Commissioner.

O P I N I O N .

In this application THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY asks authority to purchase at \$60.00 per share trust certificates representing the preferred capital stock of the United States Long Distance Telephone and Telegraph Company.

The United States Long Distance Telephone and Telegraph Company was organized in 1902. It has an authorized stock issue of \$3,000,000.00, divided into 30,000 shares of the par value of \$100.00 each. 25,000 shares represent common and 5,000 shares represent 4 per cent preferred stock. All of the company's stock is outstanding. The stock is lodged with a board of voting trustees under an agreement dated May 30, 1903, amended in, 1905. The voting trustees have issued to the stockholders trust certificates. The Pacific Telephone and Telegraph Company reports that since December 1, 1911, it has owned all of the trust certificates representing the \$2,500,000.00

of outstanding common stock of the United States Long Distance Telephone and Telegraph Company. It now desires authority to purchase the trust certificates representing the \$500,000.00 of 4 per cent. preferred stock. The testimony shows that it has options to purchase trust certificates at \$60.00 per share representing 4,568 shares of the preferred stock. It is willing to purchase the remaining trust certificates, representing 432 shares of the preferred stock, upon the same terms. The price of \$60.00 per share for this preferred stock is not based on a valuation of the property of United States Long Distance Telephone and Telegraph Company, but applicant is willing to pay this price because of a belief that the ownership of the stock would be financially more favorable than to pay dividends thereon.

It appears that the purchase of the preferred stock by the Pacific Company is not necessary to give it control of the United States Long Distance Telephone and Telegraph Company. The Pacific Company reports that the main reason why it desires to acquire the preferred stock is to consolidate the stock interest in the United States Long Distance Telephone and Telegraph Company and thus obviate any possible chance of any question arising in the minds of any minority stockholders as to the fairness of any division of toll line business of subscribers who have access to the lines of either The Pacific Telephone and Telegraph Company, or the United States Long Distance Telephone and Telegraph Company. G.E. McFarland, president of The Pacific Telephone and Telegraph Company, testified that his company contemplates no change in its policy toward the independent companies as a result of the acquisition of the preferred stock of the United States Long

Distance Telephone and Telegraph Company.

I recommend that this application be granted and herewith submit the following form of order.

O R D E R.

THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY having applied to the Railroad Commission for authority to purchase trust certificates representing \$500,000.00 par value of preferred capital stock of the United States Long Distance Telephone and Telegraph Company,

And a hearing having been held and the Railroad Commission being of the opinion that this application should be granted,

IT IS HEREBY ORDERED that THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY be, and it is hereby, granted authority to purchase on or before August 1, 1918 at \$60.00 per share trust certificates representing 5,000 shares of 4 per cent preferred capital stock of the United States Long Distance Telephone and Telegraph Company.

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

1.- The price at which The Pacific Telephone and Telegraph Company is authorized to purchase the preferred stock of United States Long Distance Telephone and Telegraph Company shall not be binding upon this Commission, or other public body, as a finding of value of said preferred stock, or of the properties of said United States Long Telephone and Telegraph Company.

2.- The Pacific Telephone and Telegraph Company shall file with the Railroad Commission on or before the twenty-fifth day of each month a statement showing the amount of trust certificates acquired during the month preceding the filing of the report and the price paid therefor.

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 October, 1917.

H. D. Loveland
Alex. Gordon
Edwin O. Edgerton

Commissioners.