

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of :
the UNION HOME TELEPHONE AND TELE- :
GRAPH CORPORATION for an order auth- :
orizing the use of a part of the cor- : Application No. 520.
poration's bonds for purpose of re- :
paying a loan of bonds to applicant :
by the Contracting and Engineering :
Company. :

George B. Ellis, for applicant.

LOVELAND, Commissioner.

O P I N I O N.

It appears from the application and testimony in this matter that applicant, Union Home Telephone and Telegraph Corporation, a corporation duly incorporated under the laws of the State of California, with its principal place of business at Los Angeles, California, is, and has been for several years past, engaged in owning, managing and operating telephone companies in several different towns in southern California.

On November 1st, 1909, applicant authorized a Debenture Bond Trust Agreement between applicant and the Title Insurance and Trust Company of Los Angeles, as trustee. Under the terms of said Debenture Bond Trust Agreement, the Union Home Telephone and Telegraph Corporation agreed to deposit with said Title Insurance and Trust Company, trustee, \$500,000.00 par value of said first mortgage gold bonds as security for an issue of \$200,000.00 par value debenture bonds. Applicant, not having \$500,000.00 of its first mortgage bonds which had been certified, in its treasury, borrowed of the Contracting and Engineering Company, which company was closely affiliated with applicant and one of its heaviest bond holders, 161 bonds which had been issued by applicant of the par value of \$161,000. By adding said \$161,000.00 par value of bonds so borrowed to what applicant had in its treasury, it was enabled to deposit, and did deposit, with said Title Insurance and Trust Company, trustee, the

Decision No. 641

\$500,000.00 par value of its first mortgage bonds agreed upon and in return therefor received the \$200,000.00 par value debenture bonds for which the \$500,000.00 par value of bonds were deposited as security. At the time applicant borrowed the \$161,000.00 par value of bonds from the Contracting and Engineering Company, it agreed to return them upon demand, and such demand having been made and applicant now having in its treasury more than sufficient bonds to repay the Contracting and Engineering Company, it asks permission of this Commission to cancel its obligation by returning to the Contracting and Engineering Company bonds to the value of \$161,000.00.

After careful consideration, while the Commission has not taken up and investigated the financial condition of applicant, it does not feel that it is called upon to do so in passing upon this application, for the reasons which move the Commission to grant the application, which are two, namely: first, it is probable that, under the agreement under which applicant borrowed the bonds from the Contracting and Engineering Company and agreed to return them, an action would lie in the courts to recover the amount of the bonds; and, second, the value of the bonds which have been sold by applicant are not impaired by granting the application, the financial condition of applicant remaining substantially the same.

I recommend that the application be granted upon the following condition, viz: that applicant shall procure from the trustee an authorization to do what it now applies for permission to do, as we believe that the trustee should be familiar with such transactions and we desire the record to show that the transaction is understood and approved by the trustee.

I submit the following Order:-

O R D E R.

WHEREAS, the Union Home Telephone and Telegraph Corporation, a corporation, of Los Angeles, California, entered into an

agreement with the Title Insurance and Trust Company of Los Angeles, by the terms of which agreement the Union Home Telephone and Telegraph Corporation agreed to deposit with the Title Insurance and Trust Company \$500,000.00 par value of its first mortgage gold bonds as security for an issue of \$200,000.00 par value debenture bonds; and,

WHEREAS, the Union Home Telephone and Telegraph Corporation did not have the full amount of \$500,000.00 of its first mortgage bonds in its treasury and in order to complete said amount borrowed \$161,000.00 par value of said bonds held by the Contracting and Engineering Company and entered into an agreement with said Contracting and Engineering Company to return said \$161,000.00 par value of said bonds upon demand; and,

WHEREAS, demand has been made by the Contracting and Engineering Company upon the Union Home Telephone and Telegraph Corporation for the return of said bonds; and,

WHEREAS, without going into the financial condition of said Union Home Telephone and Telegraph Corporation, the Commission finds that compliance with said agreement between the Union Home Telephone and Telegraph Corporation and the Contracting and Engineering Company could probably be enforced in the courts, and finds further that the rights of those who hold the bonds of said Union Home Telephone and Telegraph Corporation will not be interfered with or impaired by granting applicant's petition to be permitted to return said bonds as per its agreement with the Contracting and Engineering Company;

NOW, THEREFORE, BE IT ORDERED: That the Union Home Telephone and Telegraph Corporation be and it is hereby granted permission to issue \$161,000.00 par value of its first mortgage gold bonds and to deliver same or the proceeds of same to the Contracting and Engineering Company in the discharge of its aforesaid obligation, provided that before this order shall become operative the Union

Home Telephone and Telegraph Corporation shall have filed with this Commission evidence in writing signed by the Title Insurance and Trust Company that it is familiar with the transaction comprehended herein and, as trustee, approved of the same.

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 6th day of May, 1913.

H. L. Loveland
W. Gordon
Edwin O. Edgerton

Commissioners.

