

Decision No. 7216

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application )  
of FEDERAL TELEGRAPH COMPANY for )  
authorization and permission to )  
declare a stock dividend to Poul- )  
sen Wireless Corporation from its )  
increased capital stock. )

**ORIGINAL**

Application No. 5257.

Hiram W. Johnson, Jr., for applicant.

LOVELAND, Commissioner.

O P I N I O N.

FEDERAL TELEGRAPH COMPANY asks permission to issue \$2,391,775.00 of its common stock to Poulsen Wireless Corporation.

The record shows that Poulsen Wireless Corporation, an Arizona corporation, has an authorized stock issue of \$25,000,000, divided into 250,000 shares of the par value of \$100.00 each; that \$24,917,750 of its stock is outstanding; that it owns no property other than \$100,000 of outstanding Federal Telegraph Company stock; that the value of the assets of Federal Telegraph Company is greatly in excess of \$100,000 and that it has been determined to disincorporate Poulsen Wireless Corporation and distribute the Federal Telegraph Company stock now outstanding and that which may be issued pursuant to the order of this Commission and the order of the Commissioner of Corporations to the stockholders of Poulsen Wireless Corporation.

The petition herein shows that on January 7, 1920, the authorized stock of Federal Telegraph Company was increased from \$100,000, divided into 1000 shares of the par

value of \$100.00 each, to \$2,500,000, divided into 250,000 shares of the par value of \$10.00 each. It is applicant's intention to declare a stock dividend to Poulsen Wireless Corporation, its sole stockholder, of a number of shares exactly equal to the number of outstanding shares of said Poulsen Wireless Corporation. Upon the consummation of applicant's plans, there will be \$2,491,775 of Federal Telegraph Company stock instead of \$24,917,750 of Poulsen Wireless Corporation stock outstanding, and it is therefore urged that this application should be viewed from the point of view of reducing the capitalization of the properties now controlled through stock ownership by Poulsen Wireless Corporation.

The principal business of applicant is the manufacture of wireless equipment and apparatus at a plant located at Palo Alto. The petition shows that at least 80 per cent of the wireless business done in the United States is conducted by means of instruments manufactured by applicant. In addition to manufacturing wireless instruments and apparatus, applicant does a telegraph business over wires leased from The Pacific Telephone and Telegraph Company, and it reports that it is because of this business that it has filed this application with the Railroad Commission for permission to issue stock. On account of applicant being engaged primarily in business which is not of a public utility nature, I am inclined to view this application different than I would if applicant were engaged only in public utility business.

Applicant reports that from the date of organization to December 31, 1919, the sum of \$2,086,985.69 has been invested in its business and that this investment represents plant and equipment value at \$326,091.79, net current assets including cash, materials and supplies valued at \$436,282.65 and patent rights valued at \$1,324,611.25. The \$2,086,985.69 is reported to represent actual cash invested in applicant's business and does not include the Poulsen Wireless Corporation stock and \$500,000 of bonds originally issued to Thompson, Poulsen and Peterson in exchange for patents. The petition shows that in May,

1918, applicant sold to the United States Government for the sum of \$1,600,000 an exclusive license in and to all its patents for use within the United States and its dependencies, but reserved all foreign rights accruing from or growing out of said patents, and likewise, specifically reserved the right to manufacture its instruments and apparatus under said patents, subject to the approval of the Secretary of the Navy of the United States of America. The \$1,600,000 obtained from the United States Government was used to pay the \$500,000 of bonds issued to Thompson, Poulsen and Peterson in exchange for patents and to liquidate current indebtedness.

Applicant for 1919 reports a gross business of \$1,848,879.79 and a surplus of \$175,506.17. Without making a definite finding as to the value of applicant's patents, I am satisfied that because of moneys actually invested in applicant's plant and equipment, in its patents and business, the Commission may grant this application. It should, of course, be understood that the granting of this application is based entirely upon the facts disclosed by the record in this proceeding.

I herewith submit the following form of Order.

O R D E R.

FEDERAL TELEGRAPH COMPANY having applied to the Railroad Commission for permission to issue stock, a public hearing having been held and the Railroad Commission being of the opinion that the issue of the stock herein authorized is reasonably required for the purpose set forth in this order and that this application should be granted subject to the conditions in this order;

IT IS HEREBY ORDERED that FEDERAL TELEGRAPH COMPANY be, and it is hereby, authorized to issue on or before October 1, 1920, not exceeding \$2,391,775.00 of its common capital stock for the purpose of reimbursing its treasury because of moneys invested in its plant, equipment, patents and business, provided;

That the stock herein authorized, after the reimbursement of applicant's treasury, is delivered to the Poulsen Wireless Corporation, and distributed as set forth in this petition;

and provided further,-

That within thirty days after the issue of the stock herein authorized, the Federal Telegraph Company will file with the Railroad Commission a verified report as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

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 8<sup>th</sup> day of March, 1920.

Edwin O. Edgerton  
H. W. Leonard  
Frank Klevlin  
H. B. Brundage  
Waring Mattson  
Commissioners.