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ORIGINAL

Decision No. 8380.

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA

In the Matter of the Application of)
FEDERAL TELEGRAPH COMPANY,)
a California corporation, for an)
order authorizing it to issue and)
sell \$500,000.00 face value of 8 per)
cent serial gold notes.)

Application
Number
6258.

Hiram W. Johnson, Jr., for applicant.

LOVELAND, Commissioner.

O P I N I O N

FEDERAL TELEGRAPH COMPANY asks permission to execute a trust agreement and to issue and sell under such agreement at 95 per cent of their face value plus accrued interest, \$500,000.00 of first mortgage 8 per cent serial gold notes and use the proceeds to pay the cost of constructing four wireless telegraph stations.

The record shows that applicant is engaged in a commercial telegraph business, and as such, transmits telegraphic messages between the City of Portland in the State of Oregon, the City of Seattle in the State of Washington, and the cities of San Francisco, Los Angeles and San Diego in the State of California. Applicant is also engaged in the manufacture of wireless instruments and electrical apparatus at its factory at Palo Alto. It reports that at least 80 per cent of the wireless business done in the United States of America is conducted by means of instruments manufactured by it at its Palo Alto factory.

At the present time applicant conducts its telegraph business over wires leased from The Pacific Telephone and Telegraph Company. On January 12, 1920, without any previous notice, The Pacific Telephone and Telegraph Company notified applicant that on and after February 15, 1920, the use of its full Morse duplex telegraph circuit connecting offices of the applicant in the Hobart Building, San Francisco, with the offices of applicant in the Board of Trade Building, Portland, Oregon, and the use of its full Morse duplex telegraph circuit connecting applicant's offices in the Board of Trade Building, Portland, Oregon, with applicant's offices in Seattle, Washington, would be discontinued. Thereafter applicant filed its complaint in the Superior Court in and for the City and County of San Francisco, praying for an injunction preventing the discontinuance of the use of said circuit without first giving to applicant such prior notice as was fair, just and reasonable and as would permit applicant with due diligence and dispatch to acquire or construct such other facilities as might be necessary or proper for the continuance of its business and the continued performance and rendition of its service to the general public. Immediately thereafter The Pacific Telephone and Telegraph Company filed its answer and on hearing duly had, the Superior Court in and for the City and County of San Francisco issued a temporary injunction restraining The Pacific Telephone and Telegraph Company from discontinuing the use of said lines to applicant. The Superior Court set the complaint down for hearing at an early date thereafter. During the time intervening between the granting of the temporary injunction and the date set for the trial of the action, applicant and The Pacific Telephone and Telegraph Company entered into an agreement adjusting the controversy between them. Under the terms and conditions of this agreement, applicant is required to proceed with due diligence and dispatch to construct and install wireless stations at or near Portland, Oregon and at or near its factory at

Palo Alto, and is given the right to continue the use of the lines of The Pacific Telephone and Telegraph Company until January 1, 1921, or until such further time as applicant's wireless stations may be completed.

The testimony shows that applicant is now engaged in constructing a wireless station near Portland, another station near Palo Alto, and that upon the completion of these two stations, it intends to construct two smaller stations, -one at Los Angeles and the other at San Diego, California. The cost of the four wireless stations is estimated by applicant as follows:

Hillsboro Station near Portland,	\$175,694
Marsh Station near Palo Alto,	158,719
Los Angeles Station,	89,500
San Diego Station,	17,500
Total,	<u>\$441,413</u>

Each of the stations is to be equipped with the highest type of Federal radio arc transmitting apparatus, together with all necessary machinery or appliances to make the stations of the highest efficiency.

The \$500,000.00 of 8 per cent first mortgage serial gold notes, which applicant asks permission to issue, are to be secured by by a trust agreement executed to the Anglo-California Trust Company, trustee. This agreement is to constitute a first lien upon all the company's properties, which it owns on the date the agreement is executed as well as a lien on the properties thereafter acquired. The notes are to be dated November 1, 1921, and are to mature at the rate \$100,000.00 per annum on November first of each of the years 1923 to 1927, both inclusive. The trust agreement, as originally submitted by applicant, required it to pay into a sinking fund out of current earnings \$20,000.00 during the year ending November 1, 1921, \$30,000.00 during the year ending November 1, 1922, \$50,000.00 during the year ending November 1, 1923, and \$100,000.00 during the years ending November 1, 1924 to November 1, 1927, both inclusive. At the hearing, applicant agreed to modify the trust agreement so as to require it to deposit the sinking fund^{payments}/set forth in the agreement without

specifying the source from which it shall obtain the moneys necessary to make such payments.

Applicant has no bonded indebtedness. Its current liabilities on September 30, 1920, are reported at \$100,768.78. The current liabilities include notes payable of \$45,000.00, which were issued to obtain moneys necessary in connection with the construction of applicant's proposed wireless stations. Applicant asks the Commission for permission to use part of the proceeds obtained from the sale of the notes herein authorized to pay the \$45,000.00 of notes.

Mr. R.P. Schwerin, president of the Federal Telegraph Company, testified that the company had sold the \$500,000.00 of notes at 95 and accrued interest. While the proceeds which applicant will realize from the sale of these notes are in excess of the present estimated cost of applicant's four proposed wireless stations, the testimony shows that applicant intends to issue and sell only such an amount of notes as may be necessary to pay the cost of constructing the wireless stations.

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 execute a trust agreement and to issue \$500,000.00 of first mortgage serial 8 per cent gold notes, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required by applicant and that the expenditures for such purpose or purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED, that FEDERAL TELEGRAPH COMPANY be, and it is hereby, authorized to execute a trust agreement substantially in the same form as the amended trust agreement filed at the hearing on this proceeding on November 19, 1920, provided that the

approval herein given of said trust agreement is for the purpose of this proceeding only and an approval in so far as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said trust agreement as to such other legal requirements to which said trust agreement may be subject.

IT IS HEREBY FURTHER ORDERED, that FEDERAL TELEGRAPH COMPANY be, and it is hereby, authorized to issue and sell at not less than 95 per cent of their face value plus accrued interest, \$500,000.00 of its first mortgage serial 8 per cent gold notes.

The authority herein granted is subject to further conditions as follows:

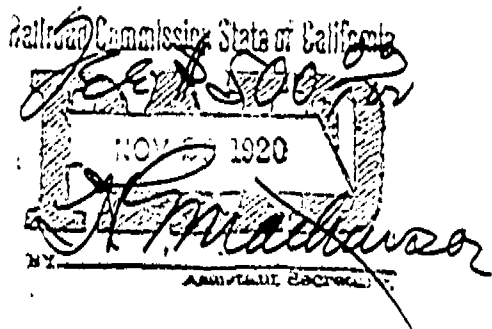
- 1.--The proceeds from the sale of the notes herein authorized, or such portion thereof as may be necessary, shall be used by applicant to pay the cost of acquiring and constructing the wireless stations and apparatus described in this application, or pay indebtedness incurred on account of the acquisition and construction of said stations. Any proceeds not necessary to pay for said wireless stations shall be expended only for such purposes as the Railroad Commission may authorize in a supplemental order or orders.
- 2.-- Applicant shall file with the Railroad Commission within 30 days after its execution a verified copy of the trust agreement herein authorized to be executed.
- 3.-- Federal Telegraph Company shall keep such record of the issue and sale of the notes herein authorized and of the disposition of the proceeds, as will enable it to file on or before the 25th day of each month 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.

4.-- The authority herein granted will not become effective until applicant has paid the fee prescribed by the Public Utilities Act.

5.-- The authority herein granted will apply only to such notes as may be issued on or before April 30, 1921.

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 26th day of November, 1920.



Edwin C. Egan
H. B. ...
Frank ...
H. B. ...
Irving ...
Commissioners.