

Decision No. 9637

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SANTA MONICA BAY HOME TELEPHONE COM-)
 PANY for an order authorizing the)
 sale of \$5,000.00 par value of 5%) Application Number 7198.
 First Mortgage Bonds and 150 shares)
 of its Preferred Stock.)

L. C. Torrance, for Applicant.

ROWELL, Commissioner.

O P I N I O N

This application involves the issue of \$5,000.00 of bonds and of \$15,000.00 of preferred stock and the execution of a mortgage for \$12,500.00 by Santa Monica Bay Home Telephone Company.

Applicant's articles of incorporation provide for the payment of an ^{initial} dividend on its preferred stock at a rate of not exceeding 4% per annum. If after the payment of a 4% dividend, any surplus earnings remain, such surplus earnings may be distributed to the common stockholders to an amount not exceeding 4% of the par value of the common stock outstanding.

Any surplus remaining after the payment of 4% dividend on the common stock shall be applied to the payment of dividends on the preferred and common stock equally.

The record shows that applicant proposes to purchase, for \$32,000.00, certain property now leased by it located at No. 160 Pier Avenue, Ocean Park, for its commercial office and main switch room.

The property is adjacent to the Ocean Park Bank and is improved by a two story brick building on a frontage of 28 feet 6 inches, and by a one story brick building on a frontage of 21 feet 6 inches. The company plans to add a second story to the latter building and use it for its long distance business, thereby centralizing local and long distance business under one roof and insuring permanent installation of apparatus.

Applicant desires permission to sell the bonds at 70 per cent. of their face value and the stock at 85 per cent. of its par value. It proposes to use the \$16,250.00 obtained by such sale, together with \$3,250.00 in cash, as an initial payment on the properties. The remaining \$12,500.00 of the purchase price of \$32,000.00 will be covered by a note bearing interest at 6 percent. per annum and payable not later than three years after date of issue. The payment of the note is to be secured by a mortgage. The company has not filed with the Commission a copy of the mortgage. The authority herein granted will not become effective until applicant has filed with the Commission a copy of its proposed mortgage, and the Commission by supplemental order has authorized its execution.

Applicant reports that the \$5,000.00 of bonds have been reacquired by it and are held in its treasury.

While the order herein will permit of the issue and sale of the bonds at 70, I ordinarily would not look with favor upon the issue of bonds at that figure. It is, of course, understood that the authority herein granted does not bind the Commission in the future to authorize the issue of bonds at this price, by applicant, or by any other company.

I herewith submit the following form of order:-

O R D E R

SANTA MONICA BAY HOME TELEPHONE COMPANY, having applied to the Railroad Commission for permission to issue stock and bonds and to execute a mortgage, 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 for the purpose or purposes specified herein, 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 SANTA MONICA BAY HOME TELEPHONE COMPANY be, and it is hereby, authorized to issue and sell \$5,000.00 of its first mortgage 5% bonds due in 1935 at not less than 70 per cent. of their face value and accrued interest, a \$12,500.00 6% note payable on or before 3 years after date, and \$15,000.00 of its preferred stock at not less than 85 percent. of its par value, and to use the proceeds to pay in part the purchase price of the properties to which reference is made in the opinion preceding this order.

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

- 1.----The Commission will not, because of the authority herein granted, be bound to include in a rate base the consideration being paid for the properties which applicant intends to purchase.
- 2.--- The authority herein granted will not become effective until applicant has filed with the Railroad Commission a copy of its proposed mortgage, and the Railroad Commission, by supplemental order, has authorized its execution.
- 3.--- Applicant shall keep such record of the issue and sale of the stock and bonds 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.

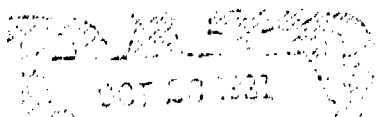
4.---The authority herein granted will not become effective until applicant has paid the minimum fee prescribed by Section 57 of the Public Utilities Act, which fee is \$25.00.

5.---The authority herein granted will apply only to such stock, bonds and note as may be issued, sold and delivered on or before April 1, 1922.

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 October, 1921.

Fee \$25⁰⁰



Charles Beck

H. D. Loveland

Charles H. ...

J. J. ...

Commissioners.