

Decision No. 27848

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SANTA BARBARA TELEPHONE COMPANY, a)
corporation, for authority to change)
the preferences of its Non-Cumulative)
Preferred Stock and, as so changed,)
to reissue the same, and for other)
authority.)

Application No. 19863

Chickering & Gregory, for applicant.

BY THE COMMISSION:

O P I N I O N

Santa Barbara Telephone Company asks permission (1) to amend its Articles of Incorporation by adding thereto as a separate paragraph the following:-

"The cumulative preferred stock and the non-cumulative preferred stock shall have no voting rights and the exclusive voting power shall be vested in the holders of the common stock"

and (2) to call in for cancellation its outstanding non-cumulative preferred shares of stock and issue in place thereof new shares under the amended Articles of Incorporation.

Applicant has an authorized stock issue of \$2,500,000.00 divided into 25,000 shares of the par value of \$100.00 each, of which 5,000 shares are non-cumulative preferred stock, 10,000 shares are cumulative preferred stock and 10,000 are common. Under the authority granted by the Commission applicant has issued 5,000 shares of non-cumulative preferred stock, and 2,500 shares of common stock. All of the outstanding stock is owned by The Santa Barbara Corporation, a Nevada corporation. The Santa Barbara Corporation has issued and outstanding identically the same number of shares of stock as applicant. The stock of The Santa Barbara Corporation has the same rights,

powers and preferences as the stock of applicant, except that the preferred stock, none of which have been issued, and the 5,000 shares of non-cumulative preferred stock have no voting power. All of the voting power is vested in the common shares. The 5,000 shares of non-cumulative preferred stock of The Santa Barbara Corporation are owned by the Bell Telephone Company of Nevada which in turn is controlled by The Pacific Telephone and Telegraph Company. Both The Santa Barbara Corporation and the Bell Telephone Company of Nevada have given their consent to the proposed amendment of the Articles of Incorporation of Santa Barbara Telephone Company.

We have no objection to the amendment if by its terms it is confined to the outstanding non-cumulative preferred stock of applicant and does not include the authorized and unissued cumulative preferred stock. In general we do not favor the issue of stock without voting rights. When, however, as in this case, the owners of the non-cumulative preferred stock are willing to exchange stock with voting rights for stock without voting rights, and further, because of the conditions under which the stock was issued and The Santa Barbara Corporation or its predecessor organized, we will permit the amendment if limited to the 5,000 shares of non-cumulative preferred stock. The stock certificates, however, should show on their face that the owner thereof has no voting rights.

ORDER

The Commission having considered applicant's request and being of the opinion that this is not a matter on which a hearing is necessary and that this application should be granted, as herein provided, and that the money, property or labor to be procured or paid for through the issue of the stock herein authorized is reasonably required for the purpose specified herein, which purpose is not in whole or in part reasonably chargeable to operating expense or to income, therefore,

IT IS HEREBY ORDERED that Santa Barbara Telephone Company be, and it is hereby, authorized to amend Article Sixth of its Articles of Incorporation by adding thereto as a separate paragraph the following:-

"The holders of the 5,000 shares of non-cumulative preferred stock shall have no voting rights and the exclusive voting power shall be vested in the holders of cumulative preferred stock and common stock."

IT IS HEREBY FURTHER ORDERED that upon the amendment of applicant's Articles of Incorporation, as herein authorized, applicant may call in for cancellation its outstanding non-cumulative preferred shares of stock and to issue in place thereof a like number of new shares upon which the preference shall be as stated in accordance with the Articles of Incorporation as so amended.

IT IS HEREBY FURTHER ORDERED that within thirty (30) days after the issue of the stock herein authorized applicant shall file with the Commission a report showing the date of the issue of said stock and a copy of amended Articles of Incorporation.

DATED at San Francisco, California, this 18th day of March, 1935.

Leon Whitwell

M. J. C.

M. B. Harris

W. H. ...

Francis R. Devlin

Commissioners.