

Decision No. 28955

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
ASSOCIATED TELEPHONE COMPANY, LTD. )  
for an order authorizing it to issue ) Application No. 20015  
certain securities. )

BY THE COMMISSION:

ORIGINAL

O P I N I O N

This is an application for an order authorizing Associated Telephone Company, Ltd. to issue and sell at not less than 95 percent. of face value, \$8,500,000.00 of Series B, first mortgage 4% bonds, due 1965, and to use the proceeds to redeem its entire issue of first mortgage 5% gold bonds, Series A, due 1965.

Associated Telephone Company, Ltd. in its financial statement as of April 30, 1935, filed as Exhibit "A", reports outstanding 136,485 shares of common stock, without par value, carried on its balance sheet at \$3,344,200.00; 106,312 shares of preferred stock, without par value, carried on its balance sheet at \$2,445,176.00; and \$8,500,000.00 of first mortgage 5% gold bonds, Series A, due March 1, 1965, of which amount \$200,000.00 face value of bonds are held in the company's treasury.

The company reports its assets and liabilities, as of April 30, 1935, as follows:-

<u>A S S E T S</u>	
Telephone plant and property . . . . .	\$15,145,380.09
Other investments . . . . .	301,965.82
Company securities owned(\$200,000. par value)	192,047.50
<u>Current assets:</u>	
Cash . . . . .	\$445,160.51
Working funds . . . . .	13,500.00
Temporary cash investments	455,605.27
Notes receivable . . . . .	730.41
Accounts receivable . . . . .	290,290.43
Materials and supplies . . . . .	<u>591,382.45</u>
	1,796,669.07
Inter-company items . . . . .	438.16
<u>Deferred debit items:</u>	
Prepayments . . . . .	\$ 20,036.42
Discount on funded debt	772,161.55
Extraordinary maintenance	35,328.38
Other debits . . . . .	<u>6,989.31</u>
	834,515.66
Total assets.....	<u><u>\$18,271,016.30</u></u>

<u>L I A B I L I T I E S</u>	
<u>Capital stock:</u>	
Common . . . . .	\$3,344,200.00
Preferred . . . . .	<u>2,445,176.00</u>
	\$ 5,789,376.00
Funded debt . . . . .	8,500,000.00
<u>Current liabilities:</u>	
Accounts payable . . . . .	\$ 169,943.94
Customer's deposits . . . . .	1,871.55
Advance billing . . . . .	80,297.47
Other . . . . .	<u>2,070.00</u>
	254,182.96
Inter-company items . . . . .	1,683.71
Accrued liabilities not due . . . . .	219,038.74
Depreciation reserve . . . . .	2,171,752.17
Other deferred credits . . . . .	1,354.28
Donations . . . . .	98,923.54
Surplus reserved . . . . .	317,600.92
Unappropriated surplus . . . . .	<u>917,103.98</u>
Total liabilities...\$18,271,016.30	<u><u>\$18,271,016.30</u></u>

The company was organized on or about March 18, 1929 and has issued all of its stocks and bonds under the authority granted by this Commission. Of the \$8,500,000.00 of Series A bonds, it

appears that \$6,000,000.00 were sold at 92.50 under the authority granted by Decision No. 22348, dated April 18, 1930, and \$2,000,000. at 97.25 under the authority granted by Decision No. 23601, dated April 13, 1931, and \$500,000.00 at 90 under the authority granted by Decision No. 24189, dated November 2, 1931, as amended. The payment of the bonds is secured by a mortgage and/or deed of trust executed to Security-First National Bank of Los Angeles, trustee, dated March 1, 1930, and a supplement thereto dated October 19, 1933.

The application shows that the company proposes to call its outstanding bonds for redemption on September 1, 1935, such bonds being redeemable upon that date upon payment of the principal, a premium of four percent. of the face value and accrued interest. To provide in part the funds necessary to effect the redemption program, applicant proposes to issue and sell \$8,500,000.00 of Series B, first mortgage four percent. bonds. These bonds will be dated July 1, 1935, and will mature July 1, 1965. The company reserves the right to redeem the bonds prior to maturity, by the payment of the principal amount thereof and accrued interest to the date of redemption, and, if redeemed on or before July 1, 1964, at a premium equal to the percentage of principal determined as follows:- 5% if redeemed on or before July 1, 1940; 4% if redeemed after July 1, 1940 but on or before July 1, 1945; 3% if redeemed after July 1, 1945 but on or before July 1, 1950; 2% if redeemed after July 1, 1950 but on or before July 1, 1955; 1% if redeemed after July 1, 1955 but on or before July 1, 1960; 1/2% if redeemed after July 1, 1960 but on or before July 1, 1964; if redeemed subsequent to July 1, 1964, no premium need be paid.

The new bonds will be issued under applicant's existing mortgage and/or deed of trust and a proposed supplemental indenture which has not yet been executed. If applicant desires authority to execute

a supplemental indenture it should file a supplemental application and a revised copy of the supplemental indenture.

Applicant estimates the annual savings to accrue to it, as a result of the proposed refunding, at about \$30,000.00. This figure is predicated upon a selling price of ninety-five for the bonds. We are advised that the underwriters will handle the bonds on a 3% basis. If it can sell the bonds for more than ninety-five, the savings will be increased.

#### O R D E R

Associated Telephone Company, Ltd. having applied to the Railroad Commission for permission to issue \$8,500,000.00 of Series B, first mortgage 4% bonds, due 1965, and the Commission having considered applicant's request and being of the opinion that this is not a matter in which a public hearing is necessary, that the money, property or labor to be procured or paid for by the issue of said bonds is reasonably required by applicant for the purpose herein stated, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that Associated Telephone Company, Ltd. be, and it hereby is, authorized to issue and sell, on or before September 1, 1935 at not less than 95 percent. of face value plus accrued interest, \$8,500,000.00 of Series B, first mortgage 4% bonds, due July 1, 1965, and to use the proceeds, other than accrued interest which may be used for general corporate purposes, to redeem on September 1, 1935 its first mortgage 5% gold bonds, Series A, due March 1, 1965.

The authority herein granted is subject to the following conditions:-

1. Within sixty (60) days after the issue of the bonds herein authorized applicant shall file with the Commission; (a) a copy of the contract between it and the underwriters for the sale of the bonds; (b) a copy of the prospectus under which said bonds are being distributed by the underwriters; (c) a copy of the resolution of the company's board of directors creating and authorizing the Series B bonds; (d) a report of the issue of the bonds and the disposition of the proceeds as required by the Railroad Commission's General Order No. 24, which order insofar as applicable, is made a part of this order; and (e) a copy of the registration statement filed with the Securities and Exchange Commission.
2. On or before December 31, 1935 applicant shall file with the Commission a statement showing in detail the expenses incurred by it because of the issue and sale of the bonds herein authorized.

DATED at San Francisco, California, this 24 day of  
June, 1935.

Leon A. White

W. A. Lee

W. B. Harvey

Matthew Brown

Commissioners.