

Decision No. 30162

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
ASSOCIATED TELEPHONE COMPANY, LTD.,)
a corporation, for an Order author-)
izing it to issue and sell common) Application No. 21421
and preferred stock.)

C. F. Mason and Ernest Irwin, for applicant.
Stanley M. Lanham, assistant chief engineer and
George L. Metcalf, assistant engineer, for
the Board of Public Utilities and Transpor-
tation of the City of Los Angeles, interested
party.

BY THE COMMISSION:

O P I N I O N

In this proceeding Associated Telephone Company, Ltd. asks permission to issue and sell at \$25.00 per share, 36,515 shares of its no par value common stock and at not less than \$23.00 per share, 36,688 shares of its no par value cumulative preferred stock, \$1.25 series, and use such stock or the proceeds realized from the sale thereof to pay indebtedness due the General Telephone Corporation and to reimburse its treasury because of income expended for additions and betterments.

Associated Telephone Company, Ltd. owns and operates telephone properties in various cities and towns and communities in Los Angeles, Orange and San Bernardino Counties. The number of company owned telephones as of August 31, 1937 is reported at 92,882.

In Exhibit B filed in this proceeding applicant reports its assets and liabilities as of June 30, 1937 as follows:-

A S S E T S

Fixed capital:		
Telephone plant in service	\$16,431,035.47	
Telephone plant under construction	355,374.28	
Telephone plant acquisition adjustment	84,459.44	
Total fixed capital		\$16,870,869.19
Investments:		
Stocks of affiliated companies	\$ 269,550.35	
Other investments	2,444.20	
Total investments		271,994.55
Current assets:		
Cash	\$ 216,252.66	
Special cash deposits	4,861.31	
Working funds	72,916.55	
Notes receivable	135.50	
Due from subscribers and agents	384,735.75	
Accounts receivable	8,803.69	
Materials and supplies	817,268.53	
Total current assets		1,504,973.99
Inter-company items:		
Accounts receivable		374.71
Deferred debit items:		
Prepaid rents	\$ 7,455.31	
Prepaid taxes	71.00	
Prepaid insurance	9,988.05	
Prepaid directory expense	523.06	
Other prepayments	1,872.05	
Discount on funded debt	998,673.70	
Total deferred debit items		1,018,533.17
Total assets.....		\$19,866,795.61

L I A B I L I T I E S

Capital stock:		
Common (136,485 shares)	\$3,344,200.00	
Preferred (106,312 shares, \$1.25 series)	2,524,910.00	
Total capital stock		\$ 5,869,110.00
Funded debt: (1st mtge 4% bonds due July 1, 1965)		8,500,000.00
Current liabilities:		
Accounts payable	413,222.35	
Customers deposits	5,910.88	
Advance billing and payments	117,487.91	
Other current liabilities	4,088.66	
Total current liabilities		540,709.80
Inter-company items:		
Notes payable	850,000.00	
Accounts payable	10,342.77	
Total inter-company items		860,342.77
Accrued liabilities not due:		
Taxes accrued	153,262.34	
Unmatured dividends accrued	22,148.33	
Other accrued liabilities not due	8,477.92	
Total accrued liabilities not due		183,888.59
Deferred credits and reserves:		
Insurance reserve	576.44	
Depreciation reserve	2,923,364.49	
Amortization reserve	5,213.00	
Other deferred credits	33,947.28	
Total deferred credits and reserves		2,963,101.21
Donations:		
		112,046.33
Surplus:		
Surplus reserved	317,600.92	
Unappropriated surplus	319,995.99	
Total liabilities		\$19,866,795.61

It will be observed that in the foregoing balance sheet, applicant shows notes payable of \$850,000. This sum is due the General Telephone Corporation, who owns 112,511 shares of applicant's outstanding common stock. It is of record that applicant because of the delay in the issue of its stock will find it necessary to borrow additional sums from the General Telephone Corporation for the purpose of carrying forward its construction program. It is estimated that by the end of October applicant will be indebted to the General Telephone Corporation in the sum of \$1,250,000. In Exhibit 2 applicant estimates 1937 operating revenues, which estimate includes actual revenues to May 31, 1937, at \$3,560,343.90. Its operating expenses including depreciation and taxes are estimated at \$2,639,934.05 leaving a net operating income of \$920,409.85. After paying interest and other fixed charges applicant reports for 1937 an estimated net income of \$523,961.61, which sum represents the amount available for the payment of dividends on applicant's preferred and common stocks or for additions to surplus.

In Exhibit 3 applicant reports the cost of gross additions to its properties during 1937 at \$3,016,764.00. Its net cash requirement after taking into account depreciation reserve moneys and other income available for construction purposes, are for 1937 reported at \$1,651,699. and for 1938 at \$1,597,423. Some of the money needed for construction has been obtained through loans from the General Telephone Corporation. The common stock which applicant desires to issue will be issued to the General Telephone Corporation, while the preferred stock will be sold to the general public and part of the proceeds used to pay debts due that company. It is the intention of applicant to file with the Securities and Exchange Commission during the latter part of October or during November a registration statement covering the issue of both its common and preferred stocks. Because of the time intervening between the date of this decision and the effective date of applicant's registration statement, we feel that we should delay fixing the price at which

applicant may sell its stock. There is no question in our mind, however, but that applicant has need for the funds which it will obtain from the issue and sale of both the common and the preferred stock which are the subject matter of this application. The order will authorize the issue of such stock subject to the condition that said stock may not be sold or distributed until the Commission by supplemental order has fixed the price at which said stock may be sold.

O R D E R

The Associated Telephone Company, Ltd. having asked permission to issue 36,515 shares of no par value of its common stock and 36,688 shares of its no par value \$1.25 series of preferred stock, a public hearing having been held before Examiner Fankhauser, and the Commission having considered the evidence submitted at such hearing and it being of the opinion that the money, property or labor to be procured or paid for by Associated Telephone Company, Ltd. through the issue of said 36,515 shares of common stock and said 36,688 shares of preferred stock, is reasonably required by applicant for the purposes herein stated and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income, therefore,

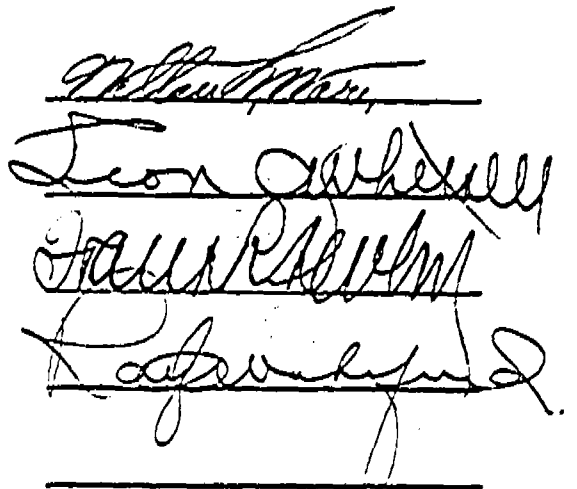
IT IS HEREBY ORDERED that after the effective date hereof and prior to February 1, 1938 Associated Telephone Company, Ltd. may issue for the purpose of paying indebtedness, or reimbursing its treasury because of income expended for additions and betterments, or for the purpose of financing additions and betterments to its properties, referred to in Exhibit 1, Exhibit 3 and Exhibit 4, 36,515 shares of its no par value common capital stock and 36,688 shares of its no par value \$1.25 series, preferred stock.

IT IS HEREBY FURTHER ORDERED that the authority herein granted will become effective when the Commission has fixed the price at which

the aforesaid stock may be sold by applicant.

IT IS HEREBY FURTHER ORDERED that Associated Telephone Company, Ltd. shall keep such record of the stock herein authorized to be issued, 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-A, which order insofar as applicable, is made a part of this order.

DATED at San Francisco, California, this 27th day of September, 1937.

Three handwritten signatures in cursive script, each written over a horizontal line. The signatures are stacked vertically.

Commissioners.