

Decision No. 30814

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 certain ) Application No. 21524  
securities. )

ORIGINAL

Ernest Irwin, for applicant.

BY THE COMMISSION:

O P I N I O N

In this application Associated Telephone Company, Ltd. asks permission to issue and sell at not less than 98% of their face value and accrued interest, \$1,800,000. of its first mortgage 4% bonds, Series B, due July 1, 1965 and use the proceeds to finance construction expenditures, to pay indebtedness 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 stations as of September 30, 1937 is reported at 93,674.

By its order in Decision No. 30163 dated September 27, 1937 in Application No. 21421 the Commission authorized applicant, subject to the provisions of said order, to issue 36515 shares of its no par value common capital stock and 36,688 shares of its no par value \$1.25 series, preferred stock. By Decision No. 30260 dated October 25, 1937, the Commission authorized applicant to issue said 36,515 shares of common stock to General Telephone Corporation in exchange for and upon cancellation of \$912,875.00 of indebtedness owing by applicant to General Telephone Corporation, such indebtedness to be so cancelled at the rate of \$25. for each common share of stock issued in such exchange.

Applicant has outstanding 136,485 shares (\$3,344,200.) of common stock and 106,312 shares (\$2,524,910.) of \$1.25 series of no par value preferred stock. It has \$8,500,000. of first mortgage 4% bonds, Series B, outstanding.

At the hearing had on this application on October 27, before Examiner Fankhauser, applicant's counsel requested the Commission to consider as part of the record the testimony submitted in Application No. 21421. That testimony shows that applicant during 1937 will have to obtain from sources other than its earnings, the sum of \$1,651,699. and during 1938, \$1,597,425. for construction purposes. In addition, because of the use of earnings to pay for acquiring and constructing telephone plant, it must raise about \$300,000. to pay taxes. The three items aggregate \$3,549,122.

As of October 1, 1937 applicant had borrowed from General Telephone Corporation, who owns 122,511 of applicant's outstanding common stock, \$1,250,000. This indebtedness is represented by 4½% demand notes. Applicant proposes to issue to General Telephone Corporation on or before November 1, 1937, 36,515 shares of common stock for a total consideration of \$912,875. The issue of this stock will reduce the debt due General Telephone Corporation to \$337,125. The proceeds realized from the sale of the bonds and preferred stock will be used to pay the \$337,125., to reimburse applicant's treasury because of income expended for additions and betterments and finance construction expenditures during 1937 and 1938.

Applicant at this time has no firm agreement covering the sale of either its bonds or its preferred stock. Because of this situation and the time intervening between the date of this decision and the effective date of applicant's registration statement, we will not now fix the price at which applicant may sell its bonds. Such price will be fixed by a supplemental order.

We are satisfied that applicant has need for the money which it will realize through the sale of the bonds. The only matter at issue is whether the bonds should be sold now or their sale deferred for about six months. Applicant's management feels that it can now obtain a better price for the bonds than six months hence. We have no objection to the sale of the bonds now, provided applicant will not regard the interest on bonds whose proceeds are not now invested in its properties as bond sale expense. Any and all interest on the bonds should be treated and recorded in the same manner as other interest on its bonds presently outstanding.

#### ORDER

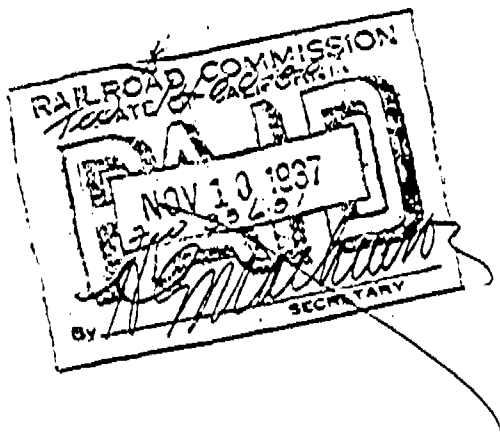
Associated Telephone Company, Ltd. having asked permission to issue \$1,800,000. of its first mortgage 4% bonds, Series B, due July 1, 1965, and the Commission having considered the record in this matter and it being of the opinion that the money, property or labor to be procured or paid for by applicant through the issue of said bonds 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, and that this application should be granted, subject to the provisions of this order, therefore,

IT IS HEREBY ORDERED that, after the effective date hereof and prior to February 1, 1938, Associated Telephone Company, Ltd. may issue \$1,800,000. of its first mortgage 4% bonds, Series B, due July 1, 1965, for the purpose of paying indebtedness incurred to pay for additions and betterments referred to in Exhibit No. 1 filed in this proceeding, and in Exhibit No. 3 and Exhibit No. 4 filed in Application No. 21421, or to reimburse its treasury because of surplus earnings used to pay for said additions and betterments, or to pay for said additions and betterments.

IT IS HEREBY FURTHER ORDERED that the authority herein granted will become effective when the Commission has fixed the price at which said bonds may be sold and when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Fourteen Hundred (\$1,400.00) Dollars.

IT IS HEREBY FURTHER ORDERED that Associated Telephone Company, Ltd. shall keep such record of the issue and sale of said \$1,800,000. of bonds, 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 8<sup>th</sup> day of November, 1937.



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Commissioners.