

ORIGINAL

Decision No. 35059

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of Sunland-Tujunga Telephone Company,  
a corporation, for an Order of the  
Commission authorizing it to issue and  
sell shares of its capital stock.

Application  
No. 24729

BY THE COMMISSION:

O P I N I O N

This is an application by Sunland-Tujunga Telephone Company for an order of the Railroad Commission authorizing it to issue and sell at par 500 shares (\$50,000 par value) of its common capital stock and to use the proceeds to reimburse its treasury, to pay indebtedness and to finance the cost of additions and betterments to its plant and properties.

Sunland-Tujunga Telephone Company is a corporation organized under the laws of the State of California and now engaged in operating telephone systems in the communities of Sunland and Tujunga in the County of Los Angeles. The company has an authorized common stock issue of ~~\$500,000~~ <sup>\$250,000</sup>. It has issued and now outstanding \$50,000 of common stock.

For the last three years the company's revenues and expenses may be shown as follows:

	<u>1939</u>	<u>1940</u>	<u>1941</u>
Revenues (less uncollectible bills)	<u>\$49,864.34</u>	<u>\$57,238.85</u>	<u>\$67,417.52</u>
Deductions:			
Operating expenses	29,105.20	31,112.78	37,028.02
Depreciation	6,859.13	8,432.84	7,539.62
Taxes	<u>4,801.85</u>	<u>5,955.36</u>	<u>7,831.83</u>
Total deductions	<u>40,766.18</u>	<u>45,500.98</u>	<u>52,399.47</u>
Net revenues	9,098.16	11,737.87	15,018.05
Interest on notes	<u>887.50</u>	<u>1,291.00</u>	<u>1,894.26</u>
Net income	<u>\$ 8,210.66</u>	<u>\$10,446.87</u>	<u>\$13,123.79</u>

Dividends were paid on the presently outstanding stock (\$50,000 par value) at the rate of 11% during 1939, 12% during 1940 and 4% during 1941.

The company's balance sheet, as of December 31, 1941, shows assets and liabilities as follows:

<u>Assets</u>		
Fixed capital		\$169,756.12
Current assets:		
Cash	\$ 311.56	
Accounts receivable	2,333.04	
Materials and supplies	<u>5,411.61</u>	8,056.21
Prepaid taxes and insurance		<u>2,006.19</u>
Total		<u>\$179,818.52</u>
<u>Liabilities</u>		
Capital stock - common		\$ 50,000.00
Current and accrued liabilities:		
Notes payable	\$37,250.00	
Accounts payable	3,622.95	
Accrued liabilities	<u>2,652.89</u>	43,525.84
Subscribers' advances		886.93
Reserve for depreciation		52,041.78
Earned surplus		<u>33,363.97</u>
Total		<u>\$179,818.52</u>

The company's reports show a net increase in its investment in fixed capital of \$7,915.15 in 1939, of

\$21,892.85 in 1940, and of \$21,447.15 in 1941.

It appears that the company has issued no stock since 1930. Between December 31, 1930 and December 31, 1941, its financial reports show an increase of \$94,299.53 in fixed capital, an increase of \$36,927.29 in depreciation reserve, and an increase of \$19,812.80 in earned surplus. A review of the company's records clearly indicates that its earnings have been insufficient to provide its construction requirements and that it has been compelled to borrow money from time to time on short-term notes to meet its needs. As of December 31, 1941, it had outstanding, as shown by its balance sheet, notes payable in the amount of \$37,250. These notes were issued on various dates, bear interest at the rate of 6% per annum and mature, in each case, six months after date of issue. Substantially all of them now are past due.

The company now proposes to issue additional stock to reimburse its treasury, to pay its outstanding debts and to finance, in part, its construction requirements during 1942. Information before the Commission indicates that during this year the company will be called upon to expend in excess of \$17,000 for new construction, the principal item under contemplation being the installation of an additional toll aerial cable to the Glendale junction with the Southern California Telephone Company.

It clearly appears that applicant is in need of additional capital funds to pay its notes and reimburse its treasury to enable it to meet its current construction and other requirements. An order authorizing the issue of stock,

accordingly, will be entered.

O R D E R

Sunland-Tujunga Telephone Company having applied to the Railroad Commission for an order authorizing the issue of \$50,000 of stock, and the Commission having considered the application and it being of the opinion that a public hearing is not necessary; that the request of the company should be granted, as herein provided; that the money, property or labor to be procured or paid for through the issue of said stock is reasonably required for the purposes specified herein; and that the expenditures for said purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that Sunland-Tujunga Telephone Company be, and it hereby is, authorized to issue and sell, at par for cash, 500 shares (\$50,000 par value) of its common capital stock and to use the proceeds to reimburse its treasury because of moneys actually expended from income for additions and betterments to its plant and properties, to pay outstanding notes, and to finance its estimated expenditures during 1942 for additions and betterments to its plant and properties, provided:

1. That only such expenditures as are chargeable to telephone plant accounts, as defined in the Uniform System of Accounts prescribed for Telephone Companies by the Railroad Commission, may be financed with proceeds from the sale of the stock herein authorized.

2. That applicant shall keep such record of the issue and sale of the stock 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-A, which order, insofar as applicable, is made a part of this order.

3. That the authority herein granted shall become effective upon the date hereof.

Dated at San Francisco, California, this 24<sup>th</sup> day of February, 1942.

Justus D. Calver  
W. H. Key  
H. B. Smith  
Francis C. Havenner  
Arthur L. Rucker  
Commissioners.