

Decision No. 38916

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of DOS PALOS TELEPHONE CO., INC., a corporation, for authority:

1. To issue preferred shares of the corporation in the amounts and subject to the preferences, privileges, and limitations set forth in this petition;

2. To issue pro rata to its present shareholders common stock of the corporation in the amount in this petition specified, to represent a portion of reinvested capital surplus;

3. To permit perpetual existence of said corporation in lieu of the limited existence provided for in the original Articles of Incorporation.

ORIGINAL

Application No. 27373

Linneman and Burgess, for applicant.

OPINION

In this application, Dos Palos Telephone Co., Inc., asks the Commission to make its order authorizing applicant to issue and sell at par, for the purposes hereinafter stated, 50,000 shares (par value \$1 per share) of five percent cumulative preferred stock; to issue 20,785 shares (par value \$1 per share) of common stock to reimburse its treasury because of income expended for properties, and approving applicant's amended Articles of Incorporation providing for its perpetual existence.

Dos Palos Telephone Co., Inc., is a corporation organized under the laws of California in 1909 for a period of fifty years. It has recently amended its Articles of Incorporation to provide for its perpetual existence, and an authorized stock issue of 100,000 shares of the par value of \$1 each. The shares of stock are divided into 50,000 shares of common and 50,000 shares of five percent cumulative preferred stock. The company reserves the right to redeem its preferred stock at any time on thirty days' notice by paying the par value thereof, the accrued dividends, and a premium of two percent. A copy of the amended Articles of Incorporation is on file in this application. The life of the corporation may be extended without the Commission's authorization.

Applicant owns and operates a public utility telephone system in the City of Dos Palos and in the unincorporated town of South Dos Palos, and in the adjacent surrounding areas of Merced and Fresno Counties. The company operates a common battery manual switchboard at Dos Palos. It has connected with its switchboard 624 stations, of which 602 are owned by applicant and 22 by subscribers. For 1945 it reports operating revenues of \$34,258.36. In that year it had available for the payment of dividends and for surplus \$2,654.96.

As of December 31, 1945, applicant reports its assets and liabilities as follows:

Assets

Telephone plant	\$74,523.33
Telephone plant under construction	5,735.72
Investments in securities	1,000.00
Cash	1,356.35
Temporary investments	4,245.49
Due from customers and agents	657.14
Accounts receivable	145.59
Materials and supplies	6,380.55
Prepayments - Taxes	550.30
Prepayments - Insurance	687.20
Total assets	<u>\$95,281.67</u>

Liabilities and Net Worth

Capital stock	\$27,710.00
Notes payable	8,485.92
Accounts payable	5,918.66
Accrued liabilities, employees account	345.36
Federal tax on service	282.82
Sales tax	5.17
North Electric Co.	3,468.58
South Dos Palos building	1,400.00
Depreciation reserve	19,967.92
Contributions of plant	900.43
Surplus	26,796.81
Total liabilities and net worth	<u>\$95,281.67</u>

The record shows that applicant's surplus of \$26,796.81 represents earnings accumulated since 1933. Its surplus earnings have been invested in applicant's properties. It has paid no dividends since 1933.

Applicant has outstanding \$27,710 par value of common stock. The outstanding shares are owned by the following parties:

Mary E. Crowe	22,501 shares
Richard D. Crowe	5,041 "
William M. Crowe	38 "
L. L. Leonard	5 "
C. W. Walters	62 "
Fisher Bros.	54 "
Mrs. A. A. Hoyle	8 "
Mary E. Crowe, Richard D. Crowe and William M. Crowe	1 "

As stated, applicant now asks permission to issue 20,785 shares of its common stock to reimburse its treasury because of surplus earnings invested in its properties. Such shares will be distributed to applicant's present stockholders on a pro rata basis.

Applicant asks permission to issue and sell at par \$50,000 par value of its five percent cumulative preferred stock and use the proceeds to pay in part the following:

Acquire and install dial switchboard at Dos Palos	\$26,307.00
Construct building to house switchboard at Dos Palos	5,000.00
New telephone instruments and converting usable telephone instruments for dial service	9,875.00
Dial switchboard at South Dos Palos	4,744.00
Building at South Dos Palos	1,400.00
Telephones at South Dos Palos	630.00
Payment on outstanding notes	<u>4,691.51</u>
Total	<u>\$52,647.51</u>

Applicant's secretary and manager is of the opinion that the installation of dial telephone service will enable applicant to give better telephone service at costs lower than those now incurred by it. Further, as communities develop in applicant's rate base area, applicant will be in a position to install small unattended dial switchboards with a resultant saving in line construction costs. He is of the opinion that the installation at South Dos Palos can be completed in July of this year, and the installation at Dos Palos during the early part of 1947.

He proposes to undertake the sale of the preferred stock at times when the company is in need of funds. No commissions will be paid in connection with the sale of the stock.

O R D E R

A public hearing having been held on the above numbered application by 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 through the issue of the stock herein authorized is reasonably required by Dos Palos Telephone Co., Inc., for the purposes herein stated, that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted, as herein provided, therefore,

IT IS HEREBY ORDERED as follows:

1. Dos Palos Telephone Co., Inc., may issue, on or before June 30, 1946, at not less than par, \$20,785 par value of its common stock for the purpose of reimbursing its treasury on account of surplus earnings invested in its properties and may thereafter distribute such stock to the holders of its outstanding common stock on a pro rata basis.

2. Dos Palos Telephone Co., Inc., may issue and sell, on or before April 30, 1947, at not less than par, \$50,000 par value of its five percent cumulative preferred stock and use the proceeds to pay in part the cost of the additions, betterments and improvements to its telephone properties and the outstanding notes to which reference is made in the foregoing opinion.

3. Dos Palos Telephone Co., Inc., shall file with the Railroad Commission reports required by the Commission's General Order No. 24-A, which order, insofar as applicable, is made a

part of this order.

4. The authority herein granted is effective on the date hereof.

Dated at San Francisco, California, this 2nd day of May, 1946.

David Anderson

Justice F. Cramer

Howard D. ...

Commissioners