

ORIGINAL

Decision No. 43623

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of  
W. Gilman Snyder, an individual,  
and The Western Telephone Company,  
a corporation, for an order of the  
Commission: (a) authorizing W.  
Gilman Snyder, an individual, to  
sell to The Western Telephone Company,  
a corporation, the properties owned by  
him and consisting of the Volcano Tele-  
phone Exchange and the Weaverville  
Telephone Exchange and contiguous systems;  
(b) authorizing said W. Gilman Snyder,  
an individual, to withdraw from the  
public utility telephone business in the  
Volcano and Weaverville Telephone Ex-  
changes; (c) authorizing The Western  
Telephone Company, a corporation, to  
purchase the Volcano and Weaverville  
Telephone Exchanges and to engage in the  
public utility telephone business in the  
Volcano and Weaverville Telephone Ex-  
changes; (d) authorizing The Western  
Telephone Company, a corporation, to  
issue shares of its \$25 Par Value Common  
Stock in an amount equal to the net book  
value of said properties, and to issue  
2000 shares of its Cumulative Preferred  
Stock, \$25 Par Value, 5% Series.

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Application  
No. 30803

O P I N I O N

In this application as amended, the Commission is asked  
to make its order as follows:

(1) Authorizing W. Gilman Snyder, doing business under  
the fictitious name and style of The Western Telephone Company, to  
sell all of his telephone properties, consisting of the Volcano and  
Weaverville Telephone Exchanges and connecting systems which are  
owned by him, to The Western Telephone Company, a corporation;

(2) Authorizing The Western Telephone Company, a corporation, to issue its common stock to W. Gilman Snyder in an amount equal to the book value of said properties, and assume all his liabilities pertaining to his telephone business except his liability for income taxes, and to enter into business as a public utility telephone corporation in the areas now served by W. Gilman Snyder;

(3) Authorizing The Western Telephone Company, a corporation, to issue and sell to bona fide residents of the State of California, for the purposes hereafter stated, \$50,000 of its cumulative preferred stock, \$25 par value, 5% series, at a price not less than equal to the par value thereof;

(4) Authorizing W. Gilman Snyder to assign to The Western Telephone Company, a corporation, his contract to sell the Volcano Telephone Exchange properties to James W. Welch and Theodore P. Houck, and authorizing The Western Telephone Company, a corporation, to sell said Volcano Telephone Exchange properties to said James W. Welch and Theodore P. Houck;

(5) Authorizing James W. Welch and Theodore P. Houck to acquire and operate said Volcano Telephone Exchange properties, to issue to The Western Telephone Company, a corporation, their note for the sum of \$15,000 to evidence the balance due under said contract, and to execute a real estate and chattel mortgage to secure the payment of said \$15,000 note; and

(6) Authorizing W. Gilman Snyder to withdraw from the public utility telephone business in the Volcano and Weaverville territories and authorizing The Western Telephone Company, a corporation, to withdraw from the public utility telephone business in the Volcano territory.

Applicant Snyder owns and operates telephone systems serving the towns of Volcano and Weaverville, California, and territory contiguous thereto. The following statement shows his investment, his operating revenues and number of telephone stations:

<u>Exchange</u>	<u>Telephone Plant 10-31-49</u>	<u>Operating Revenue 10 Months 1949</u>	<u>Company Owned Stations 10-31-49</u>	<u>Subscriber Owned Stations 10-31-49</u>
Weaverville	\$40,055.42	\$29,986.98	310	30
Volcano	<u>33,235.18</u>	<u>14,399.24</u>	<u>141</u>	<u>2</u>
Totals	<u>\$73,290.60</u>	<u>\$44,386.22</u>	<u>451</u>	<u>32</u>

The petition shows that there are now about 115 held orders for telephone service in the Volcano area and 68 in the Weaverville area.

As of October 31, 1949, applicant Snyder reports his telephone assets and liabilities as follows:

#### Assets

Telephone plant	\$73,290.60
Cash	626.72
Due from customers and agents	1,288.17
Material and supplies	2,060.19
Due from affiliated companies	<u>3,917.10</u>
Total assets	<u>\$81,182.78</u>

#### Liabilities

Proprietary capital	\$29,261.95
Notes and contract payable	8,810.14
Accounts payable	13,436.69
Advance billing and payments	309.40
Directory advertising revenue	274.14
Advances from affiliated companies	3,917.10
Depreciation reserve	22,330.04
Telephone plant contribution	1,458.00
Undistributed profits--net	<u>1,385.32</u>
Total liabilities	<u>\$81,182.78</u>

Applicant Snyder has caused to be organized under the laws of the State of California a corporation named The Western Telephone Company. It has an authorized stock issue of 5,000 shares of cumulative preferred stock and 3,000 shares of common stock. Each share has a par value of \$25. The aggregate par value of all shares is \$200,000. The shares of the cumulative preferred stock may be issued from time to time, in one or more series. The articles of incorporation on file in this application provide that the first series shall be designated Cumulative Preferred Stock, \$25 Par Value, 5% Series. The number of shares of that series shall be 2,000. The articles further provide (1) that the holders of said series of stock shall be entitled to dividends at the rate per share per annum of 5% of the par value of such shares; (2) that said shares are redeemable upon giving the required notice, at the option of the company, upon the payment of \$26.25 per share if the redemption is effected on or before January 1, 1955, and at \$25 per share if the redemption is effected thereafter, together in each case with all unpaid dividends accrued on the redeemed shares to the date of redemption; (3) that in the event of liquidation, dissolution or winding up of the corporation, the holders of said shares of stock are entitled to receive out of the assets of the corporation, the sum of \$25 per share and in addition thereto, an amount equal to all unpaid dividends accrued on such shares to the date when such payment shall be made available to the holders of said shares; and (4) that the holders of said shares shall be entitled to voting rights only in the event any dividends thereon have been passed and remain unpaid for a period of six months. Such voting rights terminate upon the payment of the passed dividends.

Applicant corporation asks permission to issue an amount of its common stock equal in par value to the book value of the properties applicant Snyder will transfer to it. It is proposed that applicant Snyder will transfer to the corporation all of his telephone properties on or about January 1, 1950. The net book value of the properties on that date is not now known. The order herein will authorize the transfer of said properties, and the issue of \$25,000 par value of common stock as part consideration for the properties. After the transfer of the properties, applicant Snyder should file with the Commission a copy of his balance sheet as of the date on which the transfer was made, together with a statement showing the book value of his properties. Thereafter the Commission will authorize applicant corporation to issue, if warranted, an additional amount of stock, and determine the amounts which applicants The Western Telephone Company and Welch and Houck may charge to their telephone plant accounts and credit to their depreciation reserves.

In this application as originally filed, applicant corporation estimated its construction expenses at \$50,000, segregated as follows:

Purchase of Weaverville central office building and remodeling	\$ 7,500
Station equipment	2,000
Placing cross-arms and 3 phantom groups .104 copper, Volcano to West Point, 7 miles	10,000
Placing poles and 1 phantom group HTL 85 iron wire on brackets, West Point-Railroad Flat, 6 miles	3,000
Placing 100 poles and cable plant within Weaverville Exchange area, 2 miles	10,000
Weaverville-Hayfork carrier systems, 3 channels	7,500
Weaverville-Willow Creek carrier systems, 3 channels	<u>10,000</u>
Total	<u>\$50,000</u>

The amendment to the application shows that applicant Snyder, on or about November 19, 1949, entered into an agreement to

sell his Volcano Telephone Exchange properties to James W. Welch and Theodore P. Houck. He proposes to assign his interest in that agreement to applicant corporation, which asks permission to sell the Volcano Telephone Exchange properties to said James W. Welch and Theodore P. Houck. They have agreed to pay for the properties \$30,000. Of this sum, \$15,000 is payable in cash. The remainder of the purchase price is to be evidenced by a promissory note payable in monthly installments of \$200, with interest at the rate of 6% per annum, payable semi-annually, on the deferred balances. The payment of the note is to be secured by the execution of a real estate and chattel mortgage, which will be a lien on the Volcano Telephone Exchange properties. A copy of the note and mortgage are on file in this application.

If the agreement is consummated, the purchasers and not applicant corporation will have to provide the funds necessary to extend and enlarge the Volcano Exchange properties to meet the service demand in that area.

Because of the sale of said Volcano Telephone Exchange properties by applicant corporation, it will not be necessary for it to issue and sell more than \$37,000 of its cumulative preferred stock, \$25 par value, 5% series. The order herein will authorize applicant corporation to issue and sell, at not less than their par value, 1,480 shares (\$37,000 par value) of said stock, subject to the condition that its articles of incorporation be amended so as to give the holders of said shares of stock voting rights on a parity with the voting rights of the holders of its common stock.

Applicants The Western Telephone Company and Welch and Houck propose to render telephone service in their respective

exchange areas under the rates, rules and regulations presently on file with the Commission. They should file with the Commission, prior to or concurrently with the transfer of said telephone properties, a notice of adopting said rates, rules and regulations applicable to their respective exchange areas. Within 60 days after the transfer of said telephone properties, they should refile under their names said rates, rules and regulations.

The action taken herein shall not be construed to be a finding of the value of the properties herein authorized to be transferred.

#### O R D E R

The Commission has considered this application and is of the opinion that a hearing thereon is not necessary, that the transfer of the properties herein authorized is not adverse to the public interest, that the money, property or labor to be procured or paid for through the issue of the stock and note herein authorized is reasonably required by applicants for the purposes specified in this order and 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. W. Gilman Snyder may sell and transfer, after the effective date hereof and on or before February 1, 1950, to The Western Telephone Company, a corporation, all of his telephone properties consisting of the Volcano and Weaverville Telephone Exchange properties and assign to said The Western Telephone Company his

interest in the contract filed with the amended application wherein he agrees to sell the Volcano Exchange properties to James W. Welch and Theodore P. Houck, all of said properties being more particularly described in the grant deed filed as Exhibit D with the original application.

2. The Western Telephone Company, a corporation, in part payment for said properties, may issue to W. Gilman Snyder \$25,000 par value of its common capital stock, assume all his liabilities pertaining to his telephone business except his liability for income taxes, and may enter into business as a public utility telephone corporation in the Weaverville and Volcano Telephone Exchange areas.

3. The Western Telephone Company, a corporation, may sell and transfer to James W. Welch and Theodore P. Houck, after the effective date hereof and on or before February 1, 1950, all of the Volcano Telephone Exchange properties, such sale and transfer to be made in accordance with the agreement filed as Exhibit 1 with the amended application. They may acquire said properties and enter into the telephone business in the Volcano Telephone Exchange area.

4. The Western Telephone Company, a corporation, may issue and sell, on or before June 30, 1950, at not less than their par value, not exceeding 1,480 shares of its cumulative preferred stock, \$25 par value, 5% series, and use the proceeds for the purposes stated in the foregoing opinion. The authority to issue said shares of stock will become effective when The Western Telephone Company, a corporation, has filed with the Commission a certified copy of an amendment to its articles of incorporation whereby the holders of said shares of preferred stock will be given voting rights

on a parity with the voting rights of the holders of the company's common stock.

5. To pay in part for the Volcano Telephone Exchange properties, James W. Welch and Theodore P. Houck may issue to The Western Telephone Company, a corporation, their promissory note for the sum of \$15,000, and execute a real estate and chattel mortgage to secure the payment of said note, said note and said mortgage to be in, or substantially in, the same form as the note and mortgage filed as Exhibit 4 with the amended application.

6. Prior to or concurrently with the transfer of said telephone properties, The Western Telephone Company, a corporation, and James W. Welch and Theodore P. Houck shall file with the Commission a notice whereby they adopt the rates, rules and regulations of W. Gilman Snyder now on file with the Commission and applicable to their respective exchange areas. Within sixty (60) days after the transfer of said telephone properties, they should refile under their names said rates, rules and regulations.

7. Upon the sale and transfer of said telephone properties W. Gilman Snyder may withdraw from the public utility telephone business in the Volcano and Weaverville areas, and The Western Telephone Company, a corporation, in the Volcano area.

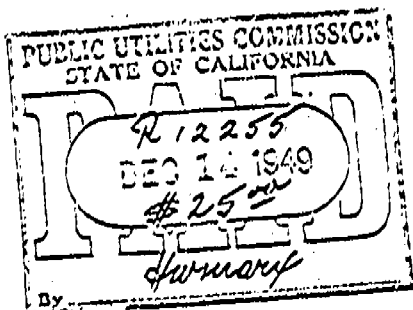
8.. Except as otherwise provided in this order, the authority herein granted to W. Gilman Snyder to sell his telephone properties to The Western Telephone Company, a corporation, and the latter to issue stock will become effective on January 1, 1950. The authority herein granted to The Western Telephone Company, a

corporation, to sell its Volcano Exchange properties will become effective on January 1, 1950, provided that James W. Welch and Theodore P. Houck, or either of them, have paid the minimum fee prescribed by Section 57 of the Public Utilities Act, which minimum fee is twenty-five (\$25.00) dollars. If said fee is not paid by January 1, 1950, said authority will become effective upon the payment of the fee.

9. Within thirty (30) days after the sale and transfer of said telephone properties, The Western Telephone Company, a corporation, shall file with the Commission a copy of the grant deed under which it has acquired and holds title to said telephone properties, and James W. Welch and Theodore P. Houck shall file with the Commission a copy of the note and a copy of the real estate and chattel mortgage executed under the authority herein granted.

10. The Western Telephone Company, a corporation, shall file with the Commission reports as required by the 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 13<sup>th</sup> day of December, 1949.



*E. E. Ingraham*  
*Justus J. Cramer*  
*Robert T. Finkle*  
*Harold K. Hille*  
*Frederick H. Potter*  
 Commissioners