

ORIGINAL

Decision No. 46765

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
Sanger Telephone Company for authority :
to issue and sell 1,000 shares of its)
Cumulative Preferred Stock, \$100 Par :
Value, 5-1/4% Series, and 150 shares)
of its Common Stock. :
-----)

Application
No. 33104

O P I N I O N

This is an application for an order of the Commission authorizing Sanger Telephone Company to issue 500 shares of Cumulative Preferred Stock, \$100 Par Value, 5-1/4% Series, in exchange, at share for share, for 500 shares of said preferred stock now outstanding, and to issue and sell, at par for cash, an additional 500 shares of said preferred stock and 150 shares of common stock, of the par value of \$100 each, for the purpose of paying outstanding indebtedness and of financing the cost of additions to its telephone plant.

The application shows that applicant's articles of incorporation at one time provided for an authorized capital stock of 4,000 shares (\$100 par value) divided into 1,000 shares of preferred stock, of which 500 shares were classified as the 5-1/4% series, and 3,000 shares of common stock, but that the articles were amended so as to increase the authorized capital stock to 5,000 shares divided into 2,000 shares of cumulative preferred stock, \$100 par value, issuable in series, and 3,000 shares of common stock of the par value of \$100 each. The application further shows that during 1950 applicant issued and sold 500 shares of its preferred stock of its 5-1/4% series prior to the time it had completed the amendment of its articles increasing the number of shares of said series to be so

authorized, and that now, in order to remove any question with respect to the validity of such issue, it desires to reissue 500 shares of stock in exchange for those now outstanding.

In addition, applicant reports that it has need for additional funds for capital purposes and that it proposes to issue 150 shares of common stock (\$15,000 par value) to H. F. Knapp in payment of an outstanding note representing moneys borrowed for additions to its telephone properties, and to issue and sell to bona fide residents of the State of California 500 shares of preferred stock similar to those now outstanding, at a price not less than the par value thereof, for the purpose of meeting in part the cost of new construction as follows:

200 line addition to central office equipment	\$18,100
250 additional telephones	8,000
Poles and associated cross-arms and fixtures	4,000
Cable projects	12,750
Open wire additions	8,850
Commercial office equipment	<u>1,000</u>
Total	<u>\$52,700</u>

A review of financial statements filed by applicant and its predecessors shows that since the close of the war they have experienced a substantial growth in their properties and operations. Between 1946 and 1950 the number of stations increased from 1,039 to 2,207, the operating revenues from \$58,793 to \$143,720 and the net income from \$9,875 to \$19,283. During the first 11 months of 1951, applicant reports operating revenues of \$154,156 and net income of \$28,889.

Applicant has installed a dial central office, during 1950, in place of the common battery manual central office equipment formerly in service, and has increased the total investment in the

telephone plant to \$587,792.34, financing the costs largely with moneys borrowed from Pacific Mutual Life Insurance Company and moneys obtained through the issue and sale of shares of stock. Its balance sheet as of November 30, 1951, is reported as follows:

<u>Assets</u>		
Fixed assets		\$587,792.34
Current assets -		
Cash and investments	\$17,019.76	
Due from subscribers	4,558.33	
Special deposits	5,371.25	
Other accounts receivable	5,751.88	
Material and supplies	15,925.53	
Prepayments	<u>1,526.69</u>	
Total current assets		50,153.44
Deferred debits		<u>5,542.03</u>
	Total	<u>\$643,487.81</u>

<u>Liabilities</u>		
Common stock		\$178,100.00
Preferred stock		100,000.00
Funded debt		200,000.00
Current liabilities -		
Notes payable	\$15,000.00	
Accounts payable	9,473.86	
Accrued liabilities	<u>17,679.70</u>	
Total current liabilities		42,153.56
Reserves		59,903.76
Deferred credits		14,074.95
Surplus		<u>49,255.54</u>
	Total	<u>\$643,487.81</u>

It clearly appears that applicant will have need for additional funds to improve its financial position and to enable it to meet its capital requirements. Accordingly, an order will be entered granting its application.

O R D E R

The Commission having considered the above entitled matter, and being of the opinion that a public hearing thereon is not necessary; that the application should be granted, as herein provided; that the money, property or labor to be procured or paid for through

the issue of the shares of stock herein authorized is reasonably required by applicant for the purposes specified herein; and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Sanger Telephone Company, after the effective date hereof and on or before June 30, 1952, may issue 500 shares of its Cumulative Preferred Stock, \$100 Par Value, 5-1/4% Series, in exchange for the 500 shares of said preferred stock now outstanding.

2. Sanger Telephone Company, after the effective date hereof and on or before December 31, 1952, may issue to H. F. Knapp 150 shares (\$15,000 par value) of its common stock in payment of the promissory note now outstanding, and may issue and sell, at not less than par, for cash, an additional 500 shares of its Cumulative Preferred Stock, \$100 Par Value, 5-1/4% Series, for the purpose of financing in part the cost of additions to its telephone plant.

3. Sanger Telephone Company shall file with the Commission monthly reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

4. The authority herein granted will become effective twenty (20) days after the date hereof.

Dated at San Francisco, California, this 19th day of February, 1952.

J. J. [Signature]
President
Justice J. [Signature]
Harold P. [Signature]

Commissioners