

ORIGINAL

Decision No. 5136S

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
KERN MUTUAL TELEPHONE COMPANY, a	:	
California corporation, for an order)	
authorizing it (a) to issue and sell	:	
8,000 common shares, \$10 par value,)	Application
at the price of \$10 per share, in cash,	:	No. 36856
and (b) to apply the proceeds)	
of sale of said common shares toward	:	
the payment of outstanding unsecured)	
promissory notes.	:	
-----)	

O P I N I O N

Kern Mutual Telephone Company has filed this application for authorization to issue and sell, at par for cash, 8,000 shares of its common stock of the aggregate par value of \$80,000 for the purpose of liquidating outstanding promissory notes held by The Anglo California National Bank.

The application shows, among other things, that applicant was indebted to said bank in the amount of \$90,000 at the close of 1954, that during 1955 it increased its borrowings to \$120,000, the total amount representing sums used to pay for plant additions and replacements, that said indebtedness is due April 15, 1955, and that applicant does not have sufficient cash on hand to satisfy the obligations. According to its December, 1954, balance sheet its current assets amounted to \$133,499, including cash of only \$688, as compared with current liabilities of \$232,935.

In order to obtain funds to pay its bank borrowings, in part, applicant proposes to offer its shares of stock to its common shareholders for sale at a price of \$10 a share, with the further privilege of over-subscribing, subject to allotment, for any shares

not purchased by other common stockholders. It anticipates that most of the shareholders will subscribe for their allotted portion and that any shares not so subscribed will be taken up pursuant to the over-subscription privilege. If any of the 8,000 common shares should remain unsubscribed by the present shareholders, applicant intends to offer them to California residents at the same offering price.

As of December 31, 1954, applicant reports its net investment in telephone plant at \$1,419,711. Presently it has outstanding, in addition to its short-term notes, first mortgage 4% bonds in the total amount of \$751,000, 6% cumulative preferred stock of the aggregate par value of \$112,375, and 40,000 shares of common stock, of the aggregate par value of \$400,000, on which it has been paying dividends at the rate of 80 cents a share per annum. Its capital ratios as of the end of 1954 and as adjusted to reflect the proposed stock issue, exclusive of short-term loans, are as follows:

	<u>Dec. 31, 1954</u>	<u>Pro Forma</u>
Bonds	54%	51%
Preferred stock	8	8
Common stock equity	<u>38</u>	<u>41</u>
Totals	<u>100%</u>	<u>100%</u>

From a review of the application it clearly appears that applicant will have need for funds from external sources to satisfy its outstanding obligations and that the issue of common stock at this time will improve its current position and its capital ratios. In our opinion the money, property or labor to be procured or paid for by the issue and sale of the shares of stock herein authorized is reasonably required by applicant for the purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income. Accordingly, we will enter an order granting applicant's request.

O R D E R

The Commission having considered the above entitled matter, and being of the opinion that a public hearing is not necessary and that the application should be granted, as herein provided, therefore,

IT IS HEREBY ORDERED as follows:

1. Kern Mutual Telephone Company may issue and sell not to exceed 8,000 shares of its common stock, for cash, at and for the price of \$10 a share and on or before December 31, 1955, for the purpose of paying in part outstanding promissory notes.


2. Kern Mutual 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.

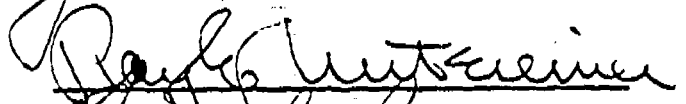
3. The authority herein granted will become effective on the date hereof.


Dated at San Francisco, California, this 26th day of APRIL, 1955.



President







Commissioners