

IRA

ORIGINAL

Decision No. 15380.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 GILROY TELEPHONE COMPANY,)
 a corporation, for permission to)
 issue its capital stock in reimburse-)
 ment of its treasury for unappropri-)
 ated surplus invested in plant and for)
 permission to sell stock and for the)
 acquisition of real property and for)
 extensions, additions and betterments.)
 to plant.)

Application No. 11584

Albert A. Rosenshine, for applicant.

BY THE COMMISSION:

O P I N I O N

In this application Gilroy Telephone Company asks per-
 mission to issue 4,055 shares of its capital stock of the
 aggregate par value of \$40,550. for purposes hereinafter indicated.

Gilroy Telephone Company was organized on or about
 March 25, 1911, for the purpose of acquiring and operating a
 telephone plant in and about the City of Gilroy, Santa Clara
 County. The company has an authorized capital stock of
 \$100,000. divided into 10,000 shares of the par value of \$10.
 each, all common, of which 1,806 shares of the aggregate par value

of \$18,060., are now outstanding. It has no bonds or other indebtedness outstanding except current accounts payable and \$18,000. due on account of the purchase of land.

Applicant reports its assets and liabilities as of June 30, 1925, as follows:-

ASSETS

Fixed capital	\$63,440.91	
Cash and deposits (general)	3,078.56	
Employees' working fund	967.71	
Due from subscribers and agents	458.15	
Materials and supplies.	185.12	
Prepaid expenses.	164.06	
Reserve fund assets	4,447.28	
Deferred debit items.	4.90	
Total assets.....		<u>\$72,746.69</u>

LIABILITIES

Capital stock	\$18,060.00	
Corporate surplus unappropriated	11,961.96	
Appreciated plant and equipment	6,883.04	
Surplus appropriated to depreciation reserve fund	1,064.80	
Reserve for accrued depreciation.	15,186.72	
Reserve for amortization of intangible capital	66.30	
Audited vouchers and wages unpaid	430.28	
Taxes accrued and not due	548.36	
Subscribers advance payments.	545.23	
Bills payable.	18,000.00	
Total liabilities.....		<u>\$72,746.69</u>

The company asks permission to issue \$8,550. of the stock herein applied for in reimbursement of its treasury on account of surplus earnings invested in plant during the period from January 1, 1922, to June 30, 1925. As shown in the foregoing balance sheet applicant's corporate surplus unappropriated as of June 30, 1925, amounted to \$11,961.96, of which W. E. Hills, applicant's auditor, stated that in his opinion at least \$8,550.18

had been invested in property. In support of the request reference was made to Exhibit "B" attached to the petition, which shows capital expenditures, from January 1, 1922, to June 30, 1925, of \$10,141.05. From this amount there is deducted \$913.89, said to represent the proportion heretofore reimbursed from the depreciation fund and \$676.98 said to represent the proportion represented in materials and supplies which previously had been recovered from old plant retired for service and thereafter used again. Making these two deductions there is left the sum of \$8,550.18 on account of which applicant believes it should be permitted to issue the \$8,550. of stock in reimbursement. After reimbursement it is the intention to distribute the stock as a stock dividend.

The remaining \$32,000. of stock herein applied for applicant intends to sell at par for cash. It asks permission to use \$7,000. of the proceeds to reimburse its depreciation reserve fund on account of an expenditure of like amount made in the purchase of property, \$18,000. to pay indebtedness incurred for the same purpose and \$7,000. to finance the cost of additions and betterments.

The application shows that on June 1, 1925, the company entered into an agreement with Gilroy Investment Company providing for the purchase by the company for \$25,000. of a parcel of land 25.3 feet by 140 feet located in the City of Gilroy together with improvements consisting of a two story brick building which is now used by applicant for its central office. Of the purchase price \$7,000., which was obtained from the depreciation fund, was paid in cash upon the signing of the agreement and \$18,000. will be due June 1, 1926, with interest at

six percent per annum.

The additions and betterments to be financed with the remaining \$7,000.00 include \$3,478.50 due Western Electric Company for additional switchboards, \$225.00 for additional furniture and equipment, about \$2,000.00 for additional cables and about \$1,296.50 for miscellaneous additions and betterments normally installed in the ordinary course of business.

O R D E R

Gilroy Telephone Company having applied to the Railroad Commission for permission to issue \$40,550.00 of its capital stock, a public hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue of stock is reasonably required for the purposes specified herein and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED that Gilroy Telephone Company be, and it hereby is, authorized to issue on or before March 31, 1926, \$40,550.00 of its common capital stock.

The authority herein granted is subject to the following conditions:-

1. Applicant may issue \$8,550.00 of the stock herein authorized to reimburse its treasury because of surplus earnings invested in plant prior to June 30, 1925, and thereafter distribute such stock to its stockholders as a stock dividend.

