

LBM

Decision No. 20823

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
LOS GATOS TELEPHONE COMPANY, )  
a corporation, for authority to )  
purchase stock of Campbell Telephone )  
Company. )

Application No. 15400

**ORIGINAL**

F. F. Watkins, for applicant.

BY THE COMMISSION:

O P I N I O N

In the above entitled matter Los Gatos Telephone Company has applied to the Railroad Commission for authority to purchase the outstanding stock of Campbell Telephone Company.

It appears that Campbell Telephone Company was organized during 1911, under the laws of the State of California, with an authorized capital stock of \$10,000.00, divided into one thousand shares of the par value of \$10.00 each, all common, of which 268 shares of the aggregate par value of \$2,680.00 are now outstanding. The record shows that those in control of the affairs of Campbell Telephone Company desire to withdraw from the telephone business and have offered to sell their stock to Los Gatos Telephone Company. The agreed price for the stock is \$18.65 a share and applicant holds itself out to purchase the entire 268 shares at this figure. At present, it appears, it has arranged to purchase 234 shares.

The revenues and expenses of Campbell Telephone Company have been reported to the Commission by that company in its annual reports. For the last three calendar years they have been shown as follows:-

ITEM	1926	1927	1928
Operating revenues	\$2,903.11	\$3,146.05	\$3,213.81
Operating expenses	2,494.64	2,430.20	2,729.71
Net operating revenues	408.47	665.85	484.10
Taxes	141.20	132.18	173.04
Operating income	267.27	533.67	311.06
Nonoperating income	-	80.89	349.00
Gross income	267.27	614.56	660.06
Interest and other deductions	-	-	104.45
Balance for year	\$267.27	\$614.56	\$555.61

In 1927 a seven percent dividend, amounting to \$187.60, was paid on the outstanding \$2,680.00 of stock of Campbell Telephone Company; and in 1928 a seven percent dividend was paid and in addition a special dividend amounting to \$5,147.82.

It is alleged, and the testimony herein supports the allegation, that the transfer of the stock of Campbell Telephone Company to Los Gatos Telephone Company is in the public interest. The service areas of the two companies are adjacent and it appears that the properties and business of Campbell Telephone Company can be maintained and operated better by the Los Gatos Telephone Company because of its larger and more complete organization. The order herein accordingly will authorize Los Gatos Telephone Company to purchase and hold the stock of Campbell Telephone Company. Such an order is not to be construed as a determination by the Commission of the amount which Los Gatos Telephone Company may charge to fixed capital accounts in the event that hereafter it desires to obtain title to the physical properties comprising the system of Campbell Telephone Company, nor as binding upon the Commission to recognize the purchase price to be paid for the stock of Campbell Telephone Company as the basis for an order authorizing Los Gatos Telephone Company to issue stock or other

securities to finance such price or fixing rates for the Campbell Telephone Company system.

ORDER

Los Gatos Telephone Company having applied to the Railroad Commission for permission to purchase the outstanding stock of Campbell Telephone Company, a public hearing having been held before Examiner Fankhauser, and the Commission being of the opinion that the acquisition of such stock by Los Gatos Telephone Company is in the public interest, and that the application should be granted as herein provided,

IT IS HEREBY ORDERED that Los Gatos Telephone Company be, and it hereby is, authorized to purchase and hold the outstanding 268 shares of common stock of Campbell Telephone Company under the terms set forth in the opinion which precedes this order.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall become effective upon the date hereof.

DATED at San Francisco, California, this 27<sup>th</sup> day of February, 1929.

Thomas D. Lott  
C. Seaver  
Edmunds  
W. J. Carr  
Commissioners.