

Decision No. .

ORIGINAL

Decision No. 3420

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of
LOS GATOS TELEPHONE COMPANY for
authority to issue capital stock.

)
) Application No. 2300.
)

BY THE COMMISSION.

O P I N I O N.

This is an application by Los Gatos Telephone Company, a corporation conducting a telephone exchange in Los Gatos, Santa Clara County, for authority to issue and sell 150 shares of capital stock of the par value of \$10.00 per share for the purpose of refunding a promissory note for \$1,500.00.

A public hearing was held in Los Gatos on June 9, 1916. From the evidence it appears that applicant has no bonded indebtedness, and no floating indebtedness excepting its current bills, amounting to not more than \$350.00, and its one year promissory note above referred to for \$1,500.00, payable to the Bank of Los Gatos and maturing June 9, 1916.

It further appears that the proceeds of this note were applied entirely to paying for extensions and additions to applicant's lines and services.

The following is an abstract of the balance sheet submitted

by applicant as of December 31, 1915:

ASSETS.

Fixed Capital.....	\$28,886.26
Cash and Deposits.....	430.33
Due from Subscribers and Agents.....	310.04
Materials and supplies.....	<u>1,791.19</u>
Total assets.....	\$31,417.82

LIABILITIES.

Capital Stock.....	\$22,550.00
Bills Payable.....	1,500.00
Accounts Payable.....	198.71
Other Current Liabilities.....	56.71
Taxes Accrued.....	360.12
Other accrued liabilities not due.....	24.47
Corporate Surplus Unappropriated.....	<u>6,727.81</u>
Total Liabilities.....	\$31,417.82

Applicant further submitted the following data as to its income and expenses for the last three calendar years:

	<u>1913.</u>	<u>1914.</u>	<u>1915.</u>
Operating Revenues	\$11,794.20	\$12,367.14	\$13,111.06
Operating Expenses	7,102.01	8,438.69	8,334.28
Net Operating Revenue	<u>4,692.19</u>	<u>3,928.45</u>	<u>4,776.78</u>
Miscellaneous Deductions	-	540.20	669.16
Operating income	4,692.19	3,388.25	4,107.62
Non-operating income	<u>59.72</u>	-	<u>51.96</u>
Gross income	4,751.91	3,388.25	4,159.58
Deductions from gross income	<u>1,661.28</u>	<u>777.50</u>	<u>771.52</u>
Net income	<u>3,090.63</u>	<u>2,610.75</u>	<u>3,388.06</u>
Dividend deductions	1,676.30	1,804.00	1,954.39
Miscellaneous Deductions	-	-	45.00
Balance to surplus	1,414.33	806.75	1,388.67

It further appears that during the first four months of 1916 applicant's gross income averaged approximately \$100.00 per

month more than during the same period in 1915.

Applicant asks for permission to sell this stock at not less than par, but according to the testimony of its officers, it will use its best efforts to sell the same at a premium. We feel that the application is a reasonable one and should be granted.

O R D E R.

LOS GATOS TELEPHONE COMPANY having applied to the Railroad Commission of the State of California for authority to sell \$1,500.00 face value of its capital stock at not less than par, and a public hearing having been held upon said application, and the Commission finding that the purposes for which the proceeds of said stock are to be used are not in whole or in part reasonably chargeable to operating expenses or to income, and that the application should be granted,

IT IS HEREBY ORDERED that Los Gatos Telephone Company be and the same is hereby authorized to issue and sell 150 shares of its capital stock, of the par value of \$10.00 per share.

The authority herein granted to applicant is granted subject to the following conditions and not otherwise:

1. Los Gatos Telephone Company shall sell said stock so as to net said company not less than par.

2. The proceeds of the issue of the stock herein authorized shall be applied upon the payment of applicant's note to the Bank of Los Gatos for \$1,500.00, bearing the date of June 9, 1915; the surplus, if any, after refunding said note to be paid into applicant's treasury and not ^{to} be expended except for improvements,

additions or betterments to applicant's service.

3. The authority herein granted shall apply to such stock as shall be issued on or before May 31, 1917.

4. Los Gatos Telephone Company shall keep a true and accurate record of the issue of the stock herein authorized and shall on or before the 25th day of the month following the issue of any of said stock, make a verified report to this Commission, setting forth the fact and date of issue, the face value of the stock so issued, the net amounts received therefor, and the disposition of the proceeds thereof, all in accordance with this Commission's General Order No. 24, which order in so far as applicable is made a part of this order.

Dated at San Francisco, California, this 14th day of June, 1916.

Max Thelen

H. B. Loveland

Edwin O. Edgerton

Commissioners.