

Decision No. 28354

**ORIGINAL**

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 issue ) Application No. 20216  
stock. )

BY THE COMMISSION:

OPINION

In this proceeding the Los Gatos Telephone Company asks permission to issue and sell at par 1500 shares of its capital stock having a par value of \$10.00 per share, and use the proceeds for the purposes hereinafter stated.

The Los Gatos Telephone Company owns and operates a telephone system in the City of Los Gatos and surrounding territory. At the end of 1934 it owned 1555 stations. Its operating revenues for 1934 are reported at \$47,631.23 and its operating expenses, including depreciation and taxes, at \$36,371.23, leaving an operating income of \$11,260.00. In addition, applicant reports nonoperating income of \$41.14, which, added to the \$11,260.00, makes a total of \$11,301.14 available for interest, dividends and surplus.

As of December 31, 1934 Los Gatos Telephone Company reports assets and liabilities as follows:-

A S S E T S

Plant and equipment . . . . .	\$179,206.45
Intangibles . . . . .	\$550.00
Land and building . . . . .	673.00
Central office equipment . . . . .	25,423.20
Station equipment . . . . .	39,527.93
Exchange lines . . . . .	106,003.71
General equipment . . . . .	<u>7,028.61</u>
Securities: 268 shares of Campbell Telephone Company stock . . . . .	5,397.47
Cash . . . . .	3,011.14
Due from subscribers and agents . . . . .	2,002.74
Accounts receivable . . . . .	141.30
Materials and supplies . . . . .	4,826.67
Prepayments . . . . .	313.53
Total assets , . . . . .	<u><u>\$194,899.30</u></u>

LIABILITIES

Common stock . . . . .	\$ 90,000.00
Notes payable-Bank of America Demand 6% . . . . .	5,000.00
Depreciation reserve . . . . .	47,948.76
Other credit accounts . . . . .	1,666.00
Surplus . . . . .	<u>50,284.54</u>
Total liabilities . . . . .	<u>\$194,899.30</u>

Applicant proposes to offer the 1500 shares of stock to its stockholders at par. It intends to use the proceeds realized from the sale of such stock for the following purposes:-

To pay a promissory note due Bank of America, Los Gatos Branch . . . . .	\$5,000.00
To purchase and install 1291 feet of 900-pair 22-gauge underground cable on Main Street between University Ave. and Mill Street to replace inadequate overhead cables aggregating 375 pairs . . . . .	3,000.00
To purchase and install cable to replace inadequate open wire facilities on Alexander, Hernandez and Bachman Avenues aggregating 3,000 feet of 25-pair, 22-gauge cable . . . . .	500.00
To purchase secondhand truck and make improvements thereon . . . . .	600.00
To reimburse the company's treasury on account of income expended for additions and betterments . . . . .	5,900.00

Edward Tyson, general manager of the Los Gatos Telephone Company, has informed us that the installation of the aforementioned additions and betterments is necessary in order to maintain and improve applicant's service.

ORDER

Los Gatos Telephone Company having asked permission to issue 1500 shares (\$15,000. par value) of its common capital stock, the Commission having considered applicant's request and being of the opinion that this is not a matter in which a public hearing is necessary, that the money, property or labor to be procured or paid for through the issue of such stock is reasonably required by ap-

plicant for the purposes herein stated, and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income, and that this application should be granted, as herein provided, therefore,

IT IS HEREBY ORDERED that Los Gatos Telephone Company be, and it is hereby, authorized to issue and sell to its stockholders, at not less than par, 1500 shares (\$15,000. par value) of its common capital stock and use the proceeds for the following purposes:-

To pay note due Bank of America, National Trust and Savings Association, Los Gatos Branch, . . . . .	\$5,000.00
To purchase and install 1291 feet of 900-pair 22-gauge cable, referred to in applicant's petition . . . . .	3,000.00
To purchase and install cable to replace open wire facilities on Alexander, Hernandez and Bachman Aves. aggregating 3,000 feet of 25-pair 22-gauge cable, referred to in applicant's petition . . . . .	500.00
To purchase secondhand truck and make improvements thereon . . . . .	600.00
To reimburse applicant's treasury on account of income expended for additions and betterments	5,900.00

IT IS HEREBY FURTHER ORDERED that Los Gatos Telephone Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the 25th day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order insofar as applicable, is made a part of this order.

IT IS HEREBY FURTHER ORDERED that the authority herein granted will apply only to such stock as may be issued and sold on or before March 1, 1936.

DATED at San Francisco, California, this 12th day of November, 1935.

*Leon Anderson*  
*W. H. Lee*

*[Signature]*  
*[Signature]*  
Commissioners.