

**ORIGINAL**

Decision No. 42615

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of )  
LOS GATOS TELEPHONE COMPANY, a )  
corporation, for an order author- )  
izing it to issue and sell an )  
additional amount of its common )  
stock. )  
----- )

Application  
No. 30821

O P I N I O N

In this application, Los Gatos Telephone Company asks permission to issue and sell, at not less than \$16 a share, 7,700 shares (\$77,000 par value) of its common stock, and use the proceeds to make a payment on its central office dial equipment.

Applicant is engaged in the business of furnishing telephone service in the Town of Los Gatos and surrounding territory and in the Town of Morgan Hill and surrounding territory. For the 10 months ended October 31, 1949, applicant reports operating revenues of \$258,590.53 and net income of \$20,803.71. On October 31, 1949, it had 4,478 telephone stations in service in Los Gatos and 381 in Morgan Hill.

Applicant reports, as of October 31, 1949, its assets and liabilities as follows:

Assets

Plant in service	\$ 706,292.42
Plant under construction	138,938.26
Plant acquisition adjustment accounts	7,907.27
Cash	54,555.06
Accounts receivable less reserve	12,672.74
Materials and supplies	110,689.05
Prepayments	4,156.62
Discount on long-term debt	<u>8,863.18</u>
Total assets	<u>\$1,044,074.60</u>

Liabilities

Common stock	\$ 231,000.00
Preferred stock, 5% cumulative	134,760.00
Premium on capital stock	69,300.00
Funded debt	295,000.00
Accounts payable	29,786.66
Accrued payments	15,107.43
Unmatured interest and dividends accrued	2,719.95
Depreciation reserve	167,307.05
Provident reserve	2,280.00
Amortization reserve	1,000.00
Deferred credits	100.00
Unappropriated surplus	<u>95,713.51</u>
Total liabilities	<u>\$1,044,074.60</u>

Applicant for many years past has been paying and is now paying dividends on its common stock at the rate of 8% per annum.

Applicant reports that it is now engaged in installing central office dial equipment in its central office equipment building in Los Gatos, California. It is acquiring the equipment from Kellogg Switchboard & Supply Co. To obtain funds to pay in part for such equipment and the cost of its installation, applicant proposes to offer to the holders of its common stock, at \$16 a share, 7,700 shares of its common stock. The stockholders may subscribe for one share of the new stock for each three shares of stock held. The right of the stockholders to subscribe for their pro rata shares will expire on January 24, 1950. Any shares not subscribed for by the stockholders will be offered for sale at not less than \$16 a share. If all shares are sold at \$16 a share, applicant will realize \$123,200.

The application shows that applicant has need for the stock proceeds.

O R D E R

The Commission has considered this application and is of the opinion that a hearing thereon is not necessary, that the money, property or labor to be procured or paid for through the issue of said 7,700 shares of common stock by Los Gatos Telephone Company is reasonably required by it for the purpose herein stated, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted; therefore,

IT IS HEREBY ORDERED as follows:

1. After the effective date hereof and on or before April 30, 1950, Los Gatos Telephone Company may issue and sell 7,700 shares of its common stock, said shares to be offered at \$16 per share to the holders of its common stock on the basis of one share of common stock for each three shares of common stock held by such stockholders. Any shares not subscribed for by the stockholders of said common stock may be sold by Los Gatos Telephone Company at not less than \$16 per share.

2. Los Gatos Telephone Company shall use the proceeds from the sale of said shares of stock to pay in part the cost of the dial equipment and its installation referred to in this application.

3. Los Gatos Telephone Company shall file with the Commission a report or reports required by the Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

4. The authority granted by this order will become effective fifteen (15) days after the date hereof.

Dated at San Francisco, California, this 15<sup>th</sup> day  
of December, 1949.

R. E. Johnson  
Justin F. Cullen  
Harold P. Russell  
Harold P. Huls  
Kenneth F. Totten  
Commissioners