

ORIGINAL

Decision No. 46558

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 authorizing it to issue not to exceed \$600,000.00 principal amount of promissory notes and to execute a Mortgage of real property and chattels and pledge agreement securing such notes.

Application
No. 30186
(First Supplemental)

FIRST SUPPLEMENTAL OPINION

By Decision No. 42699 dated April 12, 1949, applicant was authorized to execute a loan agreement and a mortgage of real property and chattels, and to issue promissory notes in the aggregate amount not to exceed \$600,000, for the purpose of paying indebtedness, and of financing construction costs and of providing working capital.

Under the terms and conditions set forth in the mortgage executed under the authority granted by Decision No. 42699, applicant was restricted, regarding the payment of cash dividends, by certain provisions relating to maintenance of a surplus balance and to maintenance of an excess of current assets over current liabilities. In order to remove certain of these restrictions and thus permit it to pay in December, 1951, dividends on its outstanding preferred and common capital stock, applicant has negotiated with the mortgagee an Amendment of Mortgage which has the effect of amending Paragraphs "7(a)" and "10" of the mortgage. The proposed amendments to the mortgage will permit applicant to pay dividends on its outstanding preferred and common capital stock out of earned surplus so long as its capital and paid-in-surplus is not reduced below a sum equal to 100% of the funded debt then outstanding. A copy of the proposed Amendment of Mortgage is attached to the first supplemental application as Exhibit A.

A review of applicant's request indicates that the amendment to its mortgage as herein proposed is not adverse to the public interest and that it will strengthen applicant's credit position by permitting it to continue, for the present, payment of dividends on its outstanding preferred and common capital stock. Accordingly, an order will be entered granting applicant's request.

FIRST SUPPLEMENTAL ORDER

The Commission having given further consideration to this matter and being of the opinion that a public hearing thereon is not necessary, and that the supplemental application should be granted, as herein provided; therefore,

IT IS HEREBY ORDERED as follows:

1. Los Gatos Telephone Company after the effective date hereof and on or before June 30, 1952, may execute an amendment to the mortgage originally authorized by Decision No. 42699, dated April 12, 1949, said amendment of mortgage to be in, or substantially in, the same form as that attached to the first supplemental application as Exhibit A.

2. Within thirty days after the execution of the amendment of the mortgage, applicant shall file a copy thereof with the Commission.

3. The authority herein granted will become effective on the date hereof.

Dated at San Francisco, California, this 12th day of December, 1951.

R. J. [Signature]
President
Justus F. [Signature]
Harriet [Signature]
[Signature]
[Signature]
Commissioners