

LEM

Decision No. 15871

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
HAPPY VALLEY WATER COMPANY,)
a corporation, for order authorizing)
issue of stocks and stock certifi-) Application No. 12194
cates.)

Carr and Kennedy, for Francis Carr,
for applicant.

BY THE COMMISSION:

ORIGINAL

O P I N I O N

In this application Happy Valley Water Company asks permission to issue \$30,000.00 of its Class "A" stock and \$6,000.00 of its Class "B" stock.

Happy Valley Water Company is engaged in the business of selling and distributing water, primarily for irrigation purposes, in Happy Valley and in the vicinity of One and Igo, Shasta County, operating the properties formerly owned by Happy Valley Irrigation District which it acquired pursuant to the plan of reorganization of the affairs of the district outlined to the Commission in Application No. 11646.

The company was organized on or about May 5, 1925, with an authorized capital stock of \$1,120,000.00, consisting of \$795,000.00 of Class "A" stock and \$325,000.00 of Class "B" stock. It was authorized by Decision No. 15417, dated September 19, 1925 in Application No. 11646 to issue \$765,000.00 of the Class "A" stock and \$310,200.00 of the Class "B" stock to carry the plan of reorganization into effect. Of the Class "A" stock, \$740,000.00, under the plan and under the Commission's order, is to be delivered in exchange for a like amount of bonds heretofore issued by the irrigation district, whose properties appli-

cant has acquired, and \$25,000.00 in payment of organization expenses.

Upon acquiring the water properties, the company also acquired a claim of \$60. an acre on certain lands formerly within the district. As payments are made to applicant on this account they will be used to retire the Class "A" stock at 93 percent. of par value. As the Class "A" stock is retired there will be issued to the holders thereof one share of the Class "B" stock for each five shares of Class "A" stock and to the landowners, shares of Class "B" stock in amount equal to one-fifth of the amounts paid by them on the claims held by applicant against their properties. For these purposes an issue of \$310,200. of stock will be needed. For a more complete description of the reorganization plan and of the properties and of the stock, reference should be made to Application No. 11646 and to the Commission's decision, No. 15417.

When the company filed Application No. 11646 it asked permission to issue \$55,000.00 of Class "A" stock to J.H.Brown and John J. McCrory for services rendered in organizing and promoting the corporation and for other services. The Commission, basing its decision on the application and on the testimony given at the hearing, permitted the issue of only \$25,000.00 of Class "A" stock for this purpose and dismissed, without prejudice, the request to issue the remaining \$30,000.00 of stock.

The company has now filed this application again asking permission to issue the \$30,000.00 of Class "A" stock and, in addition, \$6,000.00 of Class "B" stock to provide for the retirement of the Class "A" stock. It alleges that \$55,000.00 of stock is a reasonable amount to be issued for this purpose and it has presented additional testimony showing that J.H.Brown and John J.McCrory have been engaged since 1922 in reorganizing the district's financial affairs, in perfecting the bondholders' agreement and in organizing the new corporations, and that considerable expenses have been incurred for these purposes.

Giving consideration to the additional evidence produced in this matter, we are of the opinion that the issue of the additional stock should be authorized. At the conclusion of the program there will be only the \$316,200.00 of Class "B" stock outstanding against the properties. In the former application, the company estimated the value of such properties, exclusive of any allowance for water rights at \$789,275.72. As stated in the former decision, on account of the wide margin between the total par value of the stock and the estimated value of the properties, we do not believe it necessary in this proceeding to pass upon the value claimed, although it is to be understood that reference to such value in this decision is not to be considered as binding the Commission to recognize it in any future proceeding.

O R D E R

Happy Valley Water Company, having applied to the Railroad Commission for permission to issue stock, a public hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for through such issue of stock is reasonably required by applicant, and that this application should be granted, as herein provided,

IT IS HEREBY ORDERED that Happy Valley Water Company be, and it hereby is, authorized to issue \$30,000.00 of its Class "A" stock and \$6,000.00 of its Class "B" stock, for the purposes indicated in the plan of reorganization filed in Application No. 11646, and referred to in the foregoing opinion.

The authority herein granted is subject to the following conditions:-

1. Applicant shall keep such record of the issue and delivery of the stock herein authorized as will enable it to file within thirty days after such issue and delivery 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.
2. The authority herein granted shall become effective upon the date hereof.

DATED at San Francisco, California, this 18th day of January, 1926.

H. B. Brundage

Chas. E. O'Leary

George D. Squires

Leon A. Smith

Commissioners.