

LEM

Decision No. 15957.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
LA HABRA DOMESTIC WATER COMPANY)
for a certificate authorizing the)
issuance and sale of its capital)
stock.)

Application No. 12433

Launer and Collins,
by Albert Launer, for applicant.

BY THE COMMISSION:

OPINION

In this proceeding, as amended at the hearing had before Examiner Fankhauser, La Habra Domestic Water Company asks permission to issue and sell \$10,000.00 of its common capital stock, \$30,000.00 of its seven percent cumulative preferred capital stock and \$14,400.00 notes for the purposes hereinafter set forth.

Applicant has an authorized stock issue of \$100,000.00 divided into 2,000 shares of the par value of \$50. each. Of this authorized stock issue, 200 shares represent preferred stock and 1200 shares, common stock. The holders of the preferred stock are entitled to receive dividends at the rate of seven percent per annum before any dividends may be paid on the common stock. Under applicant's Articles of Incorporation the preferred stock is redeemable at the option of the company at \$55. per share, together with any accrued and unpaid dividends. Applicant has now outstanding \$20,000.00 of common stock.

The Commission by Decision No. 11934 dated April 17, 1923 in Application No. 8602 authorized applicant to purchase two acres of water bearing land located in the Town of La Habra. The agreed purchase price was \$25,000., of which \$2500. was paid in cash upon the execution of the agreement of purchase, leaving a balance of \$22,500.00 payable on or before October 12, 1924 with interest at the rate of seven percent. per annum. The testimony in this proceeding shows that there still remains due and payable \$16,500.00 of the purchase price of the land. Applicant proposes to sell either common or preferred stock and use the proceeds to pay the \$16,500.00.

Applicant's financial statement shows accounts payable of \$17,004.47. The \$17,004.47 includes \$14,377.62 "advanced by consumers " to finance the construction of additions and betterments. Of this amount \$8,947.72 is now due and payable by the company. Persons who have advanced such amount have agreed to accept applicant's stock in payment for the amounts due.

Applicant has outstanding \$14,400.00 of seven percent. notes of which \$6,400.00 is payable to the First National Bank of La Habra, \$3,500.00 to Wm. Espolt, and \$4,500.00 to the Citizens Commercial and Savings Bank of La Habra. Testimony shows that the notes now outstanding have been issued without authority from the Railroad Commission. Upon having this fact called to his attention, counsel for applicant amended the application and in such amended application asks permission to issue notes to refund the indebtedness represented by the notes now outstanding. Applicant proposes to use proceeds obtained from the sale of its stock to pay the notes.

The testimony shows that applicant will endeavor to, and believes that it can, sell its stock at par. It asks, however, that it be permitted to use an amount not exceeding five percent of the par value of stock sold to pay commissions and expenses

incident to the sale of stock if it becomes necessary to employ some one to sell the stock. The remainder of the proceeds will be applied to the payment of the \$16,500.00 due on the purchase price of the land to which reference has been made to pay the \$14,400.00 of notes and to pay part of the \$17,400.47 of accounts payable.

ORDER

La Habra Domestic Water Company having applied to the Railroad Commission for permission to issue \$40,000.00 of stock, and to issue notes in the sum of \$14,400.00 and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of such stock and notes is reasonably required by applicant and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that the La Habra Domestic Water Company be, and it is hereby, authorized to issue and sell on or before November 1, 1926 at not less than par, \$10,000.00 of its common stock and \$30,000.00 of its seven percent cumulative preferred stock, and to issue and sell at not less than par on or before such date, \$14,400.00 face value of unsecured notes, such notes to bear interest at not to exceed seven percent. per annum and to be payable within one year after date.

IT IS HEREBY FURTHER ORDERED that La Habra Domestic Water Company shall use the proceeds obtained from the sale of said stock and notes for the following purposes:-

1. The proceeds from the sale of the notes shall be used to pay or refund the indebtedness represented by the notes, set forth in subdivision "F" of applicant's Exhibit "B".

2. An amount not exceeding five percent of the par value of the stock herein authorized to be issued and sold by applicant may be used by said applicant to pay commissions and expenses incident to the sale of such stock. Such portion of the five percent not necessary for said purposes, together with the remaining proceeds obtained from the sale of said stock shall be used by applicant to pay the balance due on the contract referred to in subdivision "a" of applicant's Exhibit "B"; to pay the notes referred to herein and to pay part of the \$17,447.00 of accounts payable, referred to in subdivision "g" of applicant's Exhibit "B" filed in this proceeding.

IT IS HEREBY FURTHER ORDERED that La Habra Domestic Water Company may issue the notes herein authorized to be issued for a term of less than one year and that if such notes are issued for a term of less than one year, renew the same from time to time, provided that the term of the original notes plus the term or terms of any notes issued in renewal thereof shall not exceed one year from the date of the notes originally issued under the authority herein granted.

IT IS HEREBY FURTHER ORDERED that the authority herein granted to issue notes will become effective when La Habra Domestic Water Company has paid the minimum fee prescribed by Section 57 of the Public Utilities Act, which fee is \$25.00; that the authority to issue stock will become effective upon the date hereof and that La Habra Domestic Water Company shall keep such record of the issue and sale of the notes 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.

DATED at San Francisco, California, this 8th day of February, 1926.

H. B. Brundage

Frank Wood
Leon Whittell

Commissioners.

