BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

Decision No. 2767

In the matter of the application of COSUMNES IRRIGATION COMPANY for order authorizing issue of stock to GEORGE S. HENRY. } Application No. 1741.

James M. Berry, for applicant.

BY THE COMMISSION:

O P I N I O N.

This is an application on the part of the Cosumnes Irrigation Company for an order authorizing the issue by the company of 3,000 shares of its capital stock, of the par value of $1.00 each, to George S. Henry for services rendered by him in accordance with a certain written contract of employment of the said George S. Henry by the applicant, a copy of which contract designated as Exhibit "A" was attached to the petition herein.

Applicant was incorporated under the laws of this State in November, 1907, with an authorized capital stock of 250,000 shares of the par value of $1.00 each, of which a total of 120,000 shares were issued at par. Applicant, soon after its incorporation, bought from the Amador & Sacramento Canal Company the ditches, water rights and real estate belonging to that company, for which applicant paid approximately $113,000. The principal ditch, known as the Michigan Bar Ditch, located in eastern Sacramento County and Western Amador County, was built in the early fifties for use in connection with hydraulic mining. It was so used for many years and later was used to some extent for irrigation purposes.

Before the contract of employment of Henry was entered into, the applicant had bought in under an assessment 33,000 shares of its capital stock for the sum of $660.00, leaving a total of 87,000 shares outstanding.

The immediate circumstances surrounding the employment of Henry were as follows: Applicant had never been able to make any profits but on the contrary was not even able to keep its ditches in repair from its current receipts and had been forced to levy assessments from time to time. Moreover it was not able to use more than a comparatively small portion of its ditches or water rights.

In May or June, 1911, Mr. Henry met the officers of the Cosumnes Irrigation Company and after an investigation of its property drew up a contract with them by the terms of which he was to use his best efforts to rehabilitate and extend the company's property, for which he was to receive as compensation the sum of $90.00 per month and a certain payment of stock depending upon the length of time he might be employed by the company. The contract also provided that in case of a sale of the property he should receive enough additional stock to make a total of 13,000 shares, which would then represent 13% of the total stock outstanding.

In August, 1911, Henry entered upon his employment as provided for in said contract and continued working for applicant until September, 1912, devoting his exclusive time to said employment. The contract, through inadvertence, however, was not actually signed until the fall of 1912. His work included an examination of the properties and system, a canvass of the entire territory served by this system and a general study of a plan to rehabilitate the property. Thereafter engineers were placed in the field under Henry's direction, an irrigation system was mapped out, estimates prepared, and a detailed report made.

In accordance with the terms and conditions of said contract, 2500 shares of the capital stock of said company were issued to said Henry on January 1, 1912, and there are now due him 3,000 additional shares of the company's stock.

While not actually signed before the Public Utilities Act became operative, this contract was evidently made in good faith; and while not in any way bound by such a contract this Commission would naturally wish to allow the parties to carry out the terms of such agreement when the same are consistent with the public interest.

As to the provision for a further issue of stock to Henry in event of a sale of the property, this question is not now before the Commission.

We believe that the request herein made for the Commission to authorize the said issue of 3,000 shares of stock is a reasonable one and that the application should be granted.

O R D E R.

COSUMNES IRRIGATION COMPANY having applied to the Railroad Commission of the State of California for an order of the Commission authorizing the issue by said company of 3,000 shares of its capital stock to George S. Henry in payment for personal services rendered to said company by said Henry, and a public hearing having been had and it appearing that the request of the applicant is a reasonable one and that the purposes for which said stock is to be issued are not in whole or in part reasonably chargeable to operating expenses or income,

IT IS HEREBY ORDERED AS FOLLOWS:

1. Cosumnes Irrigation Company is hereby authorized to issue to George S. Henry 3,000 shares of its capital stock of the par value of $1.00 each.

2. The authority hereby given to issue said stock shall apply to such stock as shall have been issued on or before November 1, 1915.

3. The issue of this stock and the action of this Commission in permitting its issue shall not be binding upon this Commission or any other rate fixing body as affecting the valuation of said property for rate fixing purposes or otherwise.

4. Said company shall keep a true and accurate

record of the issue of said stock and shall on or before the 25th day of the month following the said issue of said stock make a verified report to the Commission in accordance with the Commission's General Order No. 24, setting forth the disposition of such stock, the conditions of such disposition and for what purposes the same was issued.

Dated at San Francisco, California, this 18th day of September, 1915.

Max Thelen

Alex Gordon

Edwin O. Edgerton

Frank R. Devlin

Commissioners.