

Decision No. _____

ORIGINAL

Decision No. 41164

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the Matter of the Application of)
STANDARD OIL COMPANY.)
a corporation, for authority to)
issue 248,433 and a fraction shares)
of Common stock of the par value of)
One hundred dollars each.)

Application

No. 2777

Oscar Sutro of Pillsbury, Madison and Sutro
for Applicant.

LOVELAND, Commissioner.

O P I N I O N .

This is an application by STANDARD OIL COMPANY,
for authority to issue 248,433 and a fraction shares of its
capital stock, of the par value of \$100.00 per share, to its
stockholders on account of the reinvestment by the applicant
in its assets of a sum slightly in excess of \$24,843,300.00
from its profits. It is proposed to issue this stock on
the basis of one-third of a share of new stock for each share
of outstanding stock as a dividend to present stockholders
in lieu of the disbursement of cash from the company's surplus.

The applicant is engaged in the development and
marketing of petroleum and its by-products. Its operations
cover practically every activity incidental to this business
from the drilling of the wells to the sale at retail
of the refined products. As the owner of oil pipe lines, it
comes within the scope of Chapter 327 of the Laws of 1913, de-
claring oil pipe lines to be public utilities. Its
public utility business, however, is only a small part of its

general operations.

The applicant reports that it has an authorized issue of 1,000,000 shares of stock of the par value of \$100.00 per share, or a total par value of \$100,000,000.00. It has outstanding at the present time stock of the par value of \$74,529,983.09. It reports accumulated surplus earnings as of December 31, 1916 in the sum of \$50,782,323.89.

The applicant reports that this sum has been reinvested in its assets and proposes at the present time to distribute to its stockholders approximately \$24,843,300.00 par value of additional stock against this surplus. The applicant reports further that its stock has all been paid for at not less than its par value.

The Standard Oil Company submits the following statement of assets, liabilities, earnings and surplus:-

ASSETS:

Plant Account,	\$72,010,645.24
Other Investments,	99,369.36
Inventories,	26,166,271.87
Accounts Receivable,	8,031,708.44
Deferred Charges,	445,508.58
Cash,	2,546,755.47
Total,	<u>\$109,400,258.96</u>

LIABILITIES:

Capital Stock,	\$100,000,000.00
Less Unissued Stock,	<u>25,470,016.91</u>
Issued Stock,	\$74,529,983.09
Accounts Payable,	3,837,951.98
Stock Premium Account,	250,000.00
Surplus,	50,782,323.89
Total	<u>\$109,400,258.96</u>

Earnings for Year,	\$21,253,520.02
Less Depreciation,	3,658,216.28
Net Profit,	<u>\$17,605,303.74</u>

SURPLUS ACCOUNT

Surplus January 1, 1916,	\$44,852,253.02
Cash Dividends Paid,	\$6,831,915.13
Stock Dividend,	<u>24,843,327.74</u>
	31,675,242.87
	<u>\$13,177,020.15</u>
Profit for Year,	17,605,303.74
Surplus December 31, 1916,	<u>\$30,782,523.89</u>

The applicant offered testimony to the effect that its statement of assets in the sum of \$109,400,258.96, represented the cash cost of such assets; and the surplus represented accumulated earnings over a series of years.

Applications of similar import have been made by this company to this Commission and it may be repeated here that this Commission has made no appraisal of the value of applicant's properties, nor has it investigated its books of account, and it will not therefore reach any conclusions as to the value of applicant's property and as to the amount of applicant's earnings or surplus.

Reference is hereby made to decisions of this Commission on similar applications -- Decision No. 1243, dated January 30, 1914 (Vol. 4, page 127, Opinions and Orders of the Railroad Commission of California), Decision No. 1245, dated January 31, 1914 (Vol. 4, page 139, Opinions and Orders of the Railroad Commission of California), Decision No. 3129, dated February 25, 1916, (Vol. 9, Page 255, Opinions and Orders of the Railroad Commission of California).

In the present situation the applicant has the option of paying out cash or stock in lieu of such disbursement and has chosen the latter course. The company has no bonded debt and merely a relatively small amount of accounts payable.

The applicant has already obtained a certificate from the Corporation Commissioner of California approving the issue of stock herein proposed. As this Commission has jurisdiction over a part of applicant's business, the applicant has also filed its application before this tribunal.

I recommend the application be granted and submit the following form of order:-

O R D E R .

STANDARD OIL COMPANY having applied to this Commission for authority to issue 248,433 and a fraction shares of common stock of the par value of \$100.00 per share, as set forth in the foregoing opinion, for the purpose of reimbursing its treasury,

And a hearing having been held and it appearing that the purposes for which it proposes to issue such stock are not in whole or in part reasonably chargeable to operating expenses or income,

IT IS HEREBY ORDERED that Standard Oil Company be granted authority, and is hereby granted authority, to issue 248,433 and a fraction shares of its capital stock at a par value of \$100.00 per share, said stock to be issued ratably to applicant's stockholders.

The authority herein given is given upon the condition that such authorization shall not be taken as a finding by this Commission of the value of applicant's properties; nor approval of applicant's submission as to the value of its properties; nor a finding by this Commission of the amount of applicant's reinvested earnings or surplus account.

Within thirty days after the stock herein authorized

to be issued shall have been issued, Standard Oil Company shall report such issue to this Commission, stating the amount of stock so issued.

The authority herein granted shall apply only to such stock as shall have been issued on or before December 31, 1917.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 7th day of March, 1917.

Max Thelen
Arthur H. ...
W. Gordon
Edwin C. Edgerton

Commissioners.