

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

Decision No. 830

In the matter of the application of )	
P. T. Durfy and Sherman Water Com- )	
pany for an order authorizing the )	Application No. 576
sale of water system. )	

Guernsey E. Newlin for applicant.

EDGERTON, Commissioner.

O P I N I O N

This is an application by P. T. Durfy and Sherman Water Company for an order authorizing said Durfy to sell and convey to said Sherman Water Company, a water distributing system located in the town of Sherman, County of Los Angeles, and for an order authorizing said Sherman Water Company to purchase said water system and to issue 120 shares, par value, of its capital stock in payment therefor.

P. T. Durfy owns and operates a water system which furnishes water for domestic use to consumers in and about the town of Sherman in the county of Los Angeles. He has operated this water system under the name of Sherman Water Company and he now desires to separate this from his other business activities and to conduct it as a separate enterprise, and therefore, has caused to be incorporated the Sherman Water Company with a capitalization of \$15,000 divided into 150 shares of the par value of \$100.00 each, and he proposes to transfer his water system unincumbered to this corporation and to take in payment therefor, 120 shares of the capital stock.

The water system in question consists of wells, water-rights, rights of way, pumping plants, reservoirs, pipe lines, meters, tools, etc., and Mr. Durfy testifies that this plant is

worth in excess of \$15,000, and that his net income from the operation of this plant for the last fiscal year was about \$2,700.00, not including any payment for his own services.

As the par value of the stock asked to be issued by the Sherman Water Company in exchange for this property will be \$12,000.00, I believe the purchase price and the amount of stock asked to be authorized and issued reasonable.

In view of the fact that it is expected that the Los Angeles Aqueduct will be completed in the near future, and the possible effect of competition by this aqueduct system with the water system now owned by Mr. Durfy is problematical, some safeguard should be thrown around the sale of the stock herein asked to be authorized until the status of this water system with relation to the Los Angeles Aqueduct is determined.

Mr. Durfy offers to submit to the Commission before any sale of the stock herein asked to be authorized shall be made, a statement from the prospective purchaser of stock that he is on full information of the status of the Sherman Water Company. Therefore, I recommend that the application be granted with the condition embodying the suggestion made by Mr. Durfy just above noted, and I submit herewith the following form of order:

#### O R D E R

Application having been made to the Railroad Commission of the State of California by P. T. Durfy and Sherman Water Company for an order authorizing the sale of a water system located in and about the town of Sherman, Los Angeles County, and for an order authorizing the Sherman Water Company to purchase said water system and to issue and pay therefor, 120 shares of its capital stock,

And a hearing having been held and it appearing to the Commission that public convenience and necessity will be served by the transfer of said property for the price or consideration of 120 shares of the capital stock of the Sherman Water Company, and

it further appearing that the property to be secured by the Sherman Water Company for the issuance and transfer of said 120 shares of its capital stock is necessary and reasonably required by said company for the conduct of the business for which it was organized, and that the purposes for which the proceeds of the sale of said stock are to be used are not in whole or in part reasonable chargeable to operating expenses or to income.

IT IS HEREBY ORDERED that the Railroad Commission of the State of California does hereby authorize P. T. Durfy to sell and convey to the Sherman Water Company that certain water system known as the Durfy Water System and the Sherman Water System, together with all wells, water rights, pipes, pipe lines, rights of way, pumping plants, reservoirs, meters, tools and all connections and any and all other appurtenances thereunto belonging or in anywise appertaining; also all private rights of way belonging to said P. T. Durfy where the pipes of said water system are now located through private property; also that certain piece or parcel of land located in the town of Sherman, County of Los Angeles, State of California, containing one-half (1/2) acre more or less, on which the pumping plants, reservoirs and wells used in connection with said system are located, in consideration of the transfer of said P. T. Durfy, of 120 shares of the capital stock of the Sherman Water Company.

Sherman Water Company is hereby authorized to issue 120 shares of its capital stock and to transfer said stock in full payment for an unincumbered and marketable title to the water system just above described.

As a condition precedent to the effectiveness of this order, P. T. Durfy shall file with this Commission a satisfactory agreement to the effect that he will not transfer any of the stock which he shall receive on the transfer of the water system above described until there shall have been filed with this Commission a satisfactory statement by the prospective purchaser of said

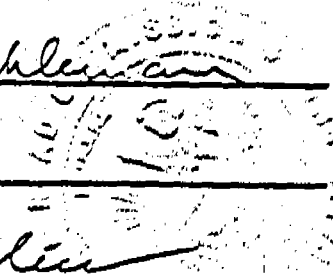
stock that he has been put on full information of the status of said Sherman Water Company.

Said company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of said stock hereby authorized to be issued, and on or before the 25th day of each month the company shall make a verified report to the Commission in accordance with the Commission's General Order No. 24, stating the sale or disposition of such stock during the preceding month, the terms and conditions of such sale or other disposition, the moneys realized therefrom and the use and application of such moneys.

The authority hereby given to issue said stock shall apply only to stock issued by said Sherman Water Company on or before the 31st day of July, 1914.

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 29<sup>th</sup> day of July, 1913.

  
John M. Ahler  
Mar. Thelen  
Edwin O. Edgerton

Commissioners.