

Decision No. 27082

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of the )  
SANTA CLARA VALLEY WATER COMPANY, )  
a corporation, for permission to reduce )  
capital stock, and to issue no par value) Application No. 19435  
shares of stock in exchange for par )  
value shares. )

BY THE COMMISSION:

ORIGINAL

OPINION

Santa Clara Valley Water Company, a corporation, has applied to the Railroad Commission for an order authorizing it to reduce its capital stock and to issue 896 shares of common stock without par value in exchange for 896 shares of common stock of the par value of \$100.00 each.

It appears that Santa Clara Valley Water Company was organized under the laws of the State of California on or about November 28, 1892, and that it has been engaged in supplying water for irrigation purposes in the vicinity of Campbell, Santa Clara County. It seems that the company's operations have been conducted at a loss and that up to the close of 1933 it had an accumulated deficit of \$66,023.03. As of the same date its fixed capital was reported at \$42,990.38 and its depreciation reserve at \$14,291.99. Capital stock outstanding amounted to 896 shares of the par value of \$89,600.00.

Section 300 (b) of the general corporation law of California requires every stock corporation to carry on its books a stated

capital which shall consist of the aggregate par value of the outstanding shares and treasury shares having par value, and the aggregate amount or value of the agreed consideration received or to be received from shares without par value.

Applicant now desires to reduce its stated capital to \$8,200.00. To effect the reduction the company proposes to issue 896 shares of no par common stock having a stated value of \$8,200.00, in exchange for the 896 shares of common stock having the total par value of \$89,600.00. It reports that of the reduction of \$81,400. the sum of \$66,023.03 will be credited against its corporate deficit in order to wipe out the accumulated amount, and that the balance of \$15,376.97 will be credited to paid-in surplus. It states in the application that no part of the surplus thus resulting will be distributed to its stockholders.

It appears that the principal purpose of the change in the capital stock structure is to eliminate the large accumulated deficit. It will be noted that no change is being made in the number of shares outstanding, the exchange being on a share for share basis, and consequently no change in the control of the corporation.

#### ORDER

Santa Clara Valley Water Company having applied to the Railroad Commission for authority to issue new shares of stock in exchange for stock heretofore outstanding, as indicated in the preceding opinion, and thereby reduce its stated capital, and the Commission being of the opinion that this is not a matter in which a public hearing is necessary, that the application should be granted, as herein provided, and that the money, property or labor to be procured or paid for by the issue of the stock herein auth-

orized is reasonably required by the company for the purpose specified herein which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED, that Santa Clara Valley Water Company, a corporation, may, on or before December 31, 1934, issue 896 shares of its no par value common stock in exchange for the 896 shares of common stock of the par value of \$89,600.00 heretofore outstanding, for the purpose of reducing its stated capital, as indicated in the preceding opinion.

IT IS HEREBY FURTHER ORDERED, that the authority herein granted is subject to the following conditions:-

1. The \$15,376.97 credited to paid-in surplus or any part thereof, may <sup>not</sup> be distributed to stockholders as dividends or treated as surplus for the purpose of declaring dividends.
2. Applicant shall file with the Commission a copy of its Articles of Incorporation as amended.
3. Applicant shall keep such record of the issue of the no par shares herein authorized as will enable it to file with the Commission reports such as are required by the Railroad Commission's General Order No. 24, which order, insofar as applicable, is made a part of this order.
4. The authority herein granted will become effective upon the date hereof.

DATED at San Francisco, California, this 21<sup>st</sup> day of May, 1934.

Charles  
Leon  
W. B. Harris  
W. H. Harris  
Commissioners.