

Decision No. 27095

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
LOS NEITOS WATER COMPANY,
a corporation, for authority (a) to
issue 150 shares of preferred stock of
the par value of \$100.00, exchange for
and in payment of note of the said
corporation in amount \$15,000.00,
secured by mortgage on the properties
of the said company; (b) to exchange 10
shares of the class B capital stock of
this company for the 10 shares of the
former capital stock of this company
now outstanding.

ORIGINAL

Application No. 19449

BY THE COMMISSION:

O P I N I O N

In this application Los Nietos Water Company asks permission to issue \$15,000.00 of class A preferred stock in exchange for a \$15,000.00 five per cent note, due on or before February 28, 1943, now outstanding, and \$1,000.00 of class B/^{common} stock in exchange for \$1,000.00 of common stock also now outstanding.

Los Nietos Water Company is engaged in supplying water for domestic purposes to approximately 160 consumers in part of Los Angeles County near the City of Compton. It appears that the company was organized on or about December 19, 1928, but did not conduct public utility operations until 1935, when it came under the jurisdiction of the Commission through the purchase of the water system it now operates. Heretofore the Commission has granted it a certificate of public convenience and necessity and has authorized it to acquire the system and to issue in payment a \$15,000.00 five per cent note due on or before February 28, 1943 secured by a

deed of trust and chattel mortgage. (Decision No. 25985, dated May 29, 1933, and Decision No. 26318, dated September 2, 1933, in Application No. 18773.)

The record in Application No. 18773 shows that the corporation was organized with an authorized capital stock of \$25,000.00, divided into 250 shares of the par value of \$100.00 each, all common, and that of the authorized amount 10 shares (\$1,000.00 par value) were issued about the time of organization.

It now appears that on April 28, 1934, the company's Articles of Incorporation were amended so as to provide for a total authorized capital stock of \$25,000.00, divided into 150 shares of preferred, known as class A, of the par value of \$100.00 each, and 100 shares of common, known as class B, of the par value of \$100.00 each. Under the terms of the articles, as amended, the holders of the class A stock shall be entitled to receive, when and as declared, from the surplus or net profits of the corporation legally available for dividends, a fixed preferential dividend at the rate of \$5.00 per annum on each share, before any dividend shall be set apart or paid on the class B stock. From and after July 1, 1934 said preferential dividend shall be cumulative. There appears to be no distinction between the two classes of stock as to voting privileges.

Applicant now desires to issue \$15,000.00 of the new class A stock in full payment of the outstanding \$15,000.00 five per cent note which was authorized by Decision No. 25985, and \$1,000.00 of the new class B stock in exchange for the \$1,000.00 of stock now outstanding, which, as stated, was issued prior to the time the Commission took jurisdiction over the company's affairs.

A financial statement attached to the application shows the assets and liabilities of the company, as of April 30, 1934, as follows:

ASSETS

Fixed capital.....	\$18,048.49
Cash.....	333.76
Accounts receivable.....	6.00
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Total.....	<u>\$18,388.25</u>

LIABILITIES

Capital stock.....	\$ 1,000.00
Note payable.....	15,000.00
Accounts payable.....	445.04
Interest accrued.....	625.00
Service billed in advance.....	16.50
Reserve for depreciation.....	616.26
Surplus.....	685.45
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Total.....	<u>\$18,388.25</u>

It appears to us that the refunding of the note through the issue of stock is desirable and not contrary to the public interest.

ORDER

Los Nietos Water Company having applied to the Railroad Commission for permission to issue \$16,000.00 par value of stock, 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 through such issue is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED, that Los Nietos Water Company be, and it hereby is, authorized to issue, on or before August 31,

1934, \$15,000.00 par value of its class A stock in full payment of the \$15,000.00 note now outstanding, and to issue, on or before August 31, 1934, \$1,000.00 par value of its class B stock in exchange for the \$1,000.00 of stock now outstanding, provided:

1. That applicant keep such record of the issue and delivery of the stock as will enable it to file, within thirty (30) days thereafter, 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; and

2. That the authority herein granted become effective upon the date hereof.

DATED at San Francisco, California, this 25th day of May, 1934.

CL Seaver
Leon Wheeler
M. A. C.
M. B. Hanna
W. H. ...
Commissioners.