

Decision No. 27578

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SAN JOSE WATER WORKS)
for (1) an order authorizing issue)
of convertible preferred stock in)
exchange for its present non-convert-)
ible preferred stock; (2) an order)
authorizing issue of additional)
common stock for conversion of its)
convertible preferred stock when)
issued.)

Application No. 19723

R. C. Leib, for applicant.

BY THE COMMISSION:

O P I N I O N

San Jose Water Works has applied to the Railroad Commission for an order (1) permitting it to issue \$1,501,500.00 of convertible preferred stock in exchange for a like amount of non-convertible preferred stock now outstanding; and (2) permitting it to issue \$1,501,500. of common stock for conversion of such convertible preferred stock.

Here
The application shows the company's authorized and outstanding capital stock as of October 31, 1934¹⁹³⁴ as follows:-

AMOUNT AND KINDS OF STOCK AUTHORIZED:

Preferred-	\$2,500,000.-	100,000 shares,	par value \$25.
Common-	2,500,000.-	100,000 shares,	par value 25.

AMOUNT AND KINDS OF STOCK OUTSTANDING:

Preferred-	\$1,501,500.-	60,060 shares,	par value \$25.
Common-	1,501,500.-	60,060 shares,	par value 25.

It appears that on November 21, 1934 applicant amended its Articles of Incorporation so as to increase its authorized common stock to \$5,000,000.00 and to provide that any holder of preferred stock may

on any dividend payment date convert said preferred stock into common stock on a share for share basis.

The company, therefore, makes the present application for the necessary authority to permit it to issue the new convertible preferred stock to replace the non-convertible preferred stock heretofore issued and now outstanding and to place it in a position to issue additional common stock should any of the holders of preferred stock elect to surrender their shares for conversion.

Exhibits "A" and "C" attached to the application show that in addition to the conversion privilege the holders of the preferred stock are entitled to cumulative dividends at the rate of six percent per annum, payable quarterly, and upon voluntary dissolution, liquidation or winding up, are entitled to receive 110 percent of the par value and accrued and unpaid accumulative dividends, and in the case of involuntary dissolution, liquidation or winding up, to receive par and accrued and unpaid accumulative dividends before any payments are made to holders of the common stock. The preferred stock is redeemable on any interest payment date at 110 percent of par value plus accrued and unpaid accumulative dividends.

It appears that the outstanding common stock and a substantial part of the preferred stock are held by General Water Securities Corporation. According to information on file with the Commission \$1,000,000. of the common stock was issued as of March 15, 1932, on or about the date the company commenced operating its water system, and \$501,500. was issued on September 20, 1934. The company's financial reports show that dividends at the rate of five percent were declared during the period from March 15, 1932 to December 31, 1932, at the rate of seven and one-half percent during 1933 and at five percent on \$1,000,000.00 during February and May, 1934, and at three percent on \$1,501,500.00 in October, 1934.

O R D E R

San Jose Water Works having applied to the Railroad Commission for an order authorizing it to issue preferred and common 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 the issue of such stock is reasonably required for the purpose herein authorized, which purpose is not in whole or in part reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED, that San Jose Water Works be, and it hereby is, authorized to issue \$1,501,500.00 of its new convertible preferred stock in exchange for \$1,501,500.00 of its non-convertible preferred stock heretofore issued and now outstanding.

IT IS HEREBY FURTHER ORDERED, that San Jose Water Works be, and it hereby is, authorized to issue \$1,501,500.00 of common stock for the purpose of converting the aforesaid \$1,501,500. of convertible preferred stock into common stock, such conversion to be made upon the basis of one common share for each preferred share converted.

IT IS HEREBY FURTHER ORDERED, that any expense incurred in connection with the issue of the convertible preferred stock and the conversion of said convertible preferred stock into common stock shall be charged to Account 114, "Miscellaneous deductions from surplus".

The authority herein granted is subject to the following conditions:-

1. San Jose Water Works shall keep such record of the issue of the stock herein authorized as will enable it to file within thirty (30) days after such issue, a report or reports such as are called

for by the terms of the Railroad Commission's General Order No. 24, which order insofar as applicable, is made a part of this order.

2. The authority herein granted will become effective upon the date hereof.

DATED at San Francisco, California, this 5th day of December, 1934.

M. L. Carr

M. B. Harris

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W. H. H. H. H.

Commissioners.