



stock of \$75,000. divided into 750 shares of the par value of \$100. each, and consisting of \$50,000. of common stock and \$25,000. of six per cent cumulative preferred stock.

Applicant now requests the Commission to approve the issue of the \$25,000. of preferred stock to its common stockholders as a stock dividend at the ratio of one share of preferred stock for every two shares of common stock outstanding. In this connection it alleges that up to December 28, 1934 its undistributed income and surplus amounted to \$63,578., against which no securities had been issued. However, the company's 1934 annual report shows dividends paid during the year of \$1,500. which would decrease the unappropriated surplus to \$62,078. The issue of the \$25,000. stock dividend is of course chargeable against this amount, which would further reduce it to \$37,078.

Giving effect to the preferred stock issue, the company's balance sheet as of December 31, 1934 would appear as follows:-

A S S E T S

Property and equipment . . . . .		\$60,710.64
Current assets:		
Cash . . . . .	\$ 981.23	
Notes receivable . . . . .	14,842.21	
Accounts receivable . . . . .	67,203.91	
Materials and supplies . . . . .	69,597.53	
Prepayments . . . . .	610.96	
		153,235.84
Other debit accounts . . . . .		7,034.04
		\$220,980.52

LIABILITIES

Long term debt . . . . .		\$ 12,750.00
Current liabilities:		
Notes payable . . . . .	\$53,500.00	
Accounts payable . . . . .	7,178.39	
Accruals . . . . .	1,820.31	
		62,498.70
Reserve for accrued depreciation . . . . .		31,756.39
Other credit accounts . . . . .		1,897.72
Capital stock and surplus:		
Common stock . . . . .	50,000.00	
Preferred stock . . . . .	25,000.00	
Surplus . . . . .	37,077.71	
		112,077.71
		\$220,980.52

The company's reports further show for 1934 total gross revenues at \$95,395.49 and net profit for the year, after deducting depreciation, at \$12,062.94, and for 1933 total gross revenues at \$74,102.40 and net profit at \$2,368.53.

The financial statements show that in addition to the surplus the company had accumulated a reserve for accrued depreciation of \$31,756.39 against properties carried on the balance sheet at \$60,710.64. As the company's business is largely of the non-utility mercantile nature it would seem that most of its earnings have been invested in working assets which are shown on the foregoing statement at \$153,235.84, as compared with current liabilities of \$62,498.70.

From our analysis of the company's financial history, it appears that it has had surplus earnings, in addition to those represented by the reserve for accrued depreciation, well in excess of the \$25,000. stock dividend and that such surplus earnings have been retained in the properties and business.

We believe that applicant should be permitted to issue the \$25,000. of stock to reimburse its treasury. Thereafter such stock may be distributed as a dividend.

#### ORDER

F. F. Smith & Company, Inc. having applied to the Railroad Commission for authority to issue \$25,000. 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 is reasonably required for the purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED that F. F. Smith & Company, Inc. be, and it hereby is authorized, to amend its articles of incorporation as indicated in this proceeding, and to issue at not less than par \$25,000. of its preferred stock for the purpose of reimbursing its treasury because of earnings invested in its properties and business, and distribute said stock to applicant's stockholders, as required and permitted by law, as a stock dividend; provided,

1. That applicant shall advise the Commission of its action under the authority herein granted; and
2. That the authority herein granted will become effective upon the date hereof.

DATED at San Francisco, California, this 27<sup>th</sup> day of May, 1935.

Leon A. ...

W. A. ...

M. B. ...

W. B. ...

W. A. ...

Commissioners.