

Decision No. 22837

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
LAKE HEMET WATER COMPANY,)
a corporation, for a permit author-) Application No. 21222
izing it to exchange capital stock)
for real and personal property.)

A. Heber Winder, for applicant.

BY THE COMMISSION:

O P I N I O N

ORIGINAL

The Commission has been asked to enter its order authorizing Lake Hemet Water Company to issue its shares of stock in the aggregate par value of \$516,000. in exchange for the properties formerly owned by the Lake Hemet Water Company whose corporate existence expired on January 20, 1937.

The application shows that on or about January 20, 1887, there was organized under the laws of the State of California a corporation known as the Lake Hemet Water Company, hereinafter referred to as the "old company"; that said old company had a term of existence of fifty years terminating on January 20, 1937; and that during its existence it acquired certain real and personal property, water, water rights, rights of way and other assets and operated a public utility in the distribution of water for irrigation, domestic and other purposes in and about Hemet and San Jacinto, Riverside County.

The old company since 1912 has filed annual reports with the Commission. Its latest report shows for 1936 operating revenues of \$49,017.39, operating expenses, including taxes and depreciation, of \$48,905.41 and net operating revenues of \$111.98 with 890 active service connections at the close of the year. The report shows the investment in fixed capital at \$786,036.25, the reserve for accrued

depreciation at \$271,426.73, notes payable to Hemet Land Company and Hemet Town Water Company, affiliated companies, at \$35,000., other liabilities at \$4,459.87 and capital stock outstanding in the total amount of \$516,000., divided into 5160 shares of the par value of \$100. each. These shares are reported held by the following:-

Mattie S. Weir	2150
Jane Whittier Sypher	1720
Amer. Trust Company, Trustee	860
Bothin Helping Fund, Pledgee	430
Total.....	<u>5160</u>

It appears that the old company inadvertently failed and neglected to amend its Articles of Incorporation so as to extend its term of existence. Accordingly on April 24, 1937 an agreement, filed as Exhibit B, was entered into by and between the de facto corporation, its last former directors and stockholders, and the incorporators of applicant herein wherein it was agreed, among other things, that the former directors of the old company, as trustees for the creditors and stockholders, would execute a deed and bill of sale conveying and transferring the properties to a new corporation and that such new corporation would assume and agree to pay all the debts and liabilities and to perform all the contractual obligations of the old company, and would issue 5160 shares of its capital stock to the same persons and in the same amounts as pertained to the certificates of stock of the old company outstanding on the date of expiration of its term of existence.

The new corporation, applicant herein, was organized on or about April 30, 1937 with an authorized capital stock of \$516,000., divided into 5160 shares of the par value of \$100. each. It appears that it proposes to take over the book accounts of the old company without change and to conduct the business in the same manner as its predecessor.

The stock of the old company was issued under authority granted by the Commission by Decision No. 27149, dated June 14, 1934. Prior to that time the company had outstanding \$2,000,000. par value of stock which, however, was offset in part by stock discount of \$1,462,617.24, and it concluded to reduce its stated capital to \$516,000. in order to eliminate the stock discount and to bring its outstanding stock more into line with what it considered represented the stockholders' interests in the assets and properties. The present proposal does not alter the capital set-up as in effect it involves merely the exchange at par for par of the stock of the new company for the stock of the old company. No change in the management or control of the water system will follow the exchange of the stock.

In making the application the new corporation agrees that the consideration for issuance of its stock and the assumption of the liabilities, obligations and debts of the old company shall not fix the value of the properties comprising the water system nor hereafter be binding upon it or the Commission.

O R D E R

Application having been made to the Railroad Commission for an order authorizing Lake Hemet Water Company to issue stock and for such further order as may be fit and proper, and the Commission having considered the application and being of the opinion that it is a matter in which a public hearing is not necessary, that applicant's requests should be granted as hereinafter provided, and that the money, property or labor to be procured or paid for through the issue of the stock 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 the former directors of Lake Hemet Water Company, the old company, as trustees for the creditors and stockholders thereof, be, and they hereby are, authorized to transfer on or before July 31, 1937 all the properties comprising the water system formerly owned by said old company, to Lake Hemet Water Company, a new corporation, applicant herein.

IT IS HEREBY FURTHER ORDERED that Lake Hemet Water Company, the new corporation, be, and it hereby is, authorized to issue on or before July 31, 1937, in payment for said properties, not exceeding \$516,000. par value of its capital stock and to assume and agree to pay all of the debts and obligations, and to perform all the contractual obligations of the said old company and of its former directors as trustees.

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

1. Lake Hemet Water Company shall keep such record of the issue of the stock herein authorized as will enable it to file within thirty(30) days thereafter a verified report, as required by the Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order.
2. Lake Hemet Water Company shall within thirty(30) days after the transfer of the aforesaid properties, file with the Commission a certified copy of each deed or other instrument of conveyance by which it obtains title to the properties herein authorized to be transferred to it.
3. The consideration paid by Lake Hemet Water Company for the aforesaid properties shall not hereafter be urged as a determination of the value of said properties for any

purpose other than the transfer herein authorized.

4. The authority herein granted shall become effective upon the date hereof.

DATED at San Francisco, California, this 7th day of June, 1937.

Mellon Ware
Leon A. Whelan
Frank R. Whelan
Raymond Whelan
Ray & Riley
Commissioners.