

Decision No. 44516**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)

MOUNTAIN PROPERTIES, INC.,)
a California corporation,)Application
No. 31494to issue additional shares.)
-----)O P I N I O N

Mountain Properties, Inc., applicant herein, is a California corporation organized during 1931 with an authorized capital stock of 1,000 shares without par value, all of which shares have been issued and are outstanding. It now has amended its articles of incorporation so as to provide for an authorized capital stock of 170,000 shares, segregated into three classes, all with par value, as follows:

	<u>Number of Shares</u>	<u>Par Value</u>	<u>Total</u>
Preferred Class A	10,000	\$10.00	\$100,000
Preferred Class B	10,000	10.00	100,000
Common	<u>150,000</u>	1.00	<u>150,000</u>
Total	<u>170,000</u>	-	<u>\$350,000</u>

In this proceeding, applicant seeks authority to issue all of its authorized shares of preferred stock, of both classes, to finance the cost of property, and to issue 79,200 shares of common stock, of the aggregate par value of \$79,200, in exchange for the presently outstanding 1,000 shares without par value, which 1,000 shares are carried on its balance sheet at the aggregate amount of \$79,200. In addition, it seeks authorization to issue shares of common stock in satisfaction of conversion rights of the holders of

the shares of Class B stock when and if such rights may be exercised.

The Class A stock will be entitled to cumulative dividends at the rate of 6% per annum and will be redeemable at the option of applicant at \$10.25 a share plus accrued dividends. The Class B stock will be entitled to cumulative dividends at the rate of 5% per annum, and will be redeemable at the option of applicant at \$10.25 a share plus accrued dividends, and will be convertible at the option of the holders, up to and including December 31, 1956, into common shares on the basis of three common shares for each Class B share.

Voting rights for all classes of stock will be on a dollar for dollar basis, that is, each holder of Class A shares and of Class B shares shall have voting rights of ten votes for each share and each holder of common shares shall have voting rights of one vote for each share.

Applicant is engaged in operating public utility water systems in Orange and Los Angeles Counties. For the year ending December 31, 1949, it reports operating revenues of \$77,638.86 and net operating revenues of \$5,694.29, with service to 3,176 active connections. As of March 31, 1950, it reports the following assets and liabilities:

<u>Assets</u>		
Intangible capital		\$ 1,445.19
Tangible capital		435,217.05
Current assets -		
Cash	\$ 579.80	
Notes receivable	200.00	
Accounts receivable	9,215.92	
Materials and supplies	<u>15,637.97</u>	
Total current assets		25,633.69
Deferred debits		<u>6,901.12</u>
Total		<u>\$469,197.05</u>

Liabilities

Capital stock	\$ 79,200.00
Notes payable	155,000.00
Accounts payable and accrued taxes	19,538.52
Consumers' advances for construction	58,240.32
Donations in aid of construction	49,099.66
Reserves	42,967.88
Surplus	<u>65,150.67</u>

Total \$469,197.05

Applicant reports that it intends to acquire additional water systems. At this time it has made arrangements to purchase, for \$108,648.28 as of December 31, 1949, the water system known as the Mesa Acres Water Company near Bakersfield, now owned by Arvin Richardson, and to pay for said system partly in cash and partly through the issue of \$70,000 par value of its Class A shares. (1) The transfer of said Mesa Acres Water Company to applicant is authorized by the decision, entered today, on Application No. 31512. Applicant has made no showing at this time with respect to the issue of the remaining \$30,000 of Class A stock included in its application.

As to the 10,000 shares of Class B stock, applicant proposes to sell them at par for cash and to use the proceeds to pay selling expenses not to exceed 5% of the sales price, and to finance the cost of extending its present water systems to meet the requirements of additional consumers. It has filed a statement showing its preliminary estimate of its proposed expenditures as follows:

(1)

The 1949 annual report of Arvin Richardson shows operating revenues of \$26,756.56 and net operating revenues of \$6,192.83, with service to 781 active connections.

Kern County:		
Tanks	\$ 7,500.00	
Pumps	10,000.00	
Pipe	<u>15,000.00</u>	
Total		\$ 32,500.00
Los Angeles County:		
Wells	\$ 3,500.00	
Tanks	2,000.00	
Pumps	3,000.00	
Pipe	<u>12,000.00</u>	
Total		20,500.00
Orange County:		
Wells	\$ 3,500.00	
Tanks	2,000.00	
Pumps	5,000.00	
Pipe	<u>25,000.00</u>	
Total		35,500.00
Working capital:		<u>11,500.00</u>
Grand total		<u>\$100,000.00</u>

It appears applicant is of the opinion that in offering the convertible preferred stock for sale it is desirable to provide for common shares with a par value, instead of having preferred shares with a par value and common shares with no par value. As stated, the presently outstanding common shares are carried on applicant's balance sheet at \$79,200 and consequently applicant proposes to issue \$79,200 par value of new common shares in exchange for the present shares. The application shows that all the presently outstanding shares are held by J. L. Lyon and George C. Lyon. No dividends have been paid on the outstanding shares of stock, the earnings from operations having been invested in assets.

A review of the application shows that applicant has need for the issue of \$70,000 par value of Class A shares and \$100,000 of Class B shares. In the event applicant completes arrangements to purchase other water systems and to issue Class A shares in payment, it can at that time renew its request to issue the remaining \$30,000 of Class A. shares. The Commission has no objection to the issue of

the common shares as proposed by applicant.

O R D E R

The Commission having considered the above entitled matter and being of the opinion that a public hearing thereon is not necessary, that the money, property or labor to be procured or paid for through the issue of the stock herein authorized is reasonably required by Mountain Properties, Inc. for the purposes specified herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Mountain Properties, Inc., after the effective date hereof and on or before December 31, 1950, may issue not exceeding 7,000 shares of its preferred Class A stock of the aggregate par value of \$70,000, in part payment for the water system of Arvin Richardson known as the Mesa Acres Water Company.
2. Mountain Properties, Inc., after the effective date hereof and on or before December 31, 1950, may issue and sell, at par for cash, not exceeding 10,000 shares of its preferred Class B stock of the aggregate par value of \$100,000, and use not exceeding 5% of the proceeds to pay expenses incident to the sale of said stock and use the remaining proceeds to finance the cost of extending and improving its water systems.
3. Mountain Properties, Inc., after the effective date hereof and on or before December 31, 1950, may issue not exceeding 79,200 shares of its common stock, of the par value of \$79,200, in exchange for the shares of common stock without par value now outstanding.

4. Mountain Properties, Inc., after the effective date hereof, may issue not exceeding 30,000 shares of common stock to the holders of the shares of preferred Class B stock upon surrender of said shares to it for conversion into shares of common stock.

5. Applicant shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

6. The request of applicant to issue 3,000 shares of preferred Class A stock of the aggregate par value of \$30,000, is dismissed without prejudice.

7. The effective date of this order is twenty (20) days after the date hereof.

Dated at San Francisco, California, this 11th day of July, 1950.

W. E. Dwyer
James F. Palmer
Robert F. Dwyer
Harold P. Hile
Samuel H. Pottel
Commissioners