

ORIGINAL

Decision No. 44615

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Amended Title	)	
In the Matter of the Application	:	
	)	
of	:	
	)	Application
SPARLING WATER COMPANY	:	No. 31385
(Formerly R. W. Sparling, Inc.)	)	(and Amendment)
	:	
for a permit authorizing the sale	)	
and issuance of its securities.	:	
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Bernard Hiemenz, for applicant.

O P I N I O N

Sparling Water Company (formerly R. W. Sparling, Inc.), applicant herein, is a California corporation engaged, since 1928, in supplying water in Topanga Canyon, Los Angeles County. In this application, as amended, it seeks authority to issue \$20,000 par value of its preferred stock and \$20,000 par value of its common stock.

Applicant was organized on or about June 30, 1923. It has an authorized capital stock of 1,000 shares of the par value of \$100 each, divided equally into shares of common stock and shares of preferred stock. Its articles of incorporation, as amended, provide that said shares of preferred stock shall be entitled to cumulative dividends at the rate of 6% per annum and, after payment of 6% dividends on the shares of common stock, shall be entitled to participate equally with the outstanding shares of common stock in any additional dividends. All shares of stock have equal voting rights.

In 1923, applicant issued \$500 par value of its common stock. It has made no additional issues and has financed the cost of its properties primarily with moneys advanced by R. W. Sparling. As of December 31, 1949, it reports its assets and liabilities as follows:

Assets

Fixed capital	\$101,051.41
Cash and deposits	2,796.09
Accounts receivable	<u>1,423.90</u>
Total	<u>\$105,271.40</u>

Liabilities

Capital stock	\$ 500.00
R. W. Sparling cash advances	39,983.82
Accrued interest and taxes	6,068.57
Accounts payable	385.44
Reserve for depreciation	<u>65,476.60</u>
Corporate deficit	<u>(7,143.03)</u>
Total	<u>\$105,271.40</u>

The record shows that the outstanding stock was issued without authorization. In the opinion of counsel for applicant, such stock is void and accordingly applicant now proposes to issue \$500 of stock in place of that now outstanding. In addition, it desires to finance permanently \$39,500 of its expenditures for plant, and has made arrangements to issue to R. W. Sparling stock in the aggregate par value of that amount in satisfaction of indebtedness due him. The stock to be issued will consist of \$20,000 par value of preferred and \$19,500 par value of common.

The issue of the stock as proposed will improve applicant's balance sheet and will result in a capital structure more nearly in line with its net investment in fixed capital.

O R D E R

A public hearing having been held on the above entitled application, the Commission having considered the matter and being of the opinion that the money, property or labor to be procured or paid for through the issue of \$20,000 of preferred stock and \$20,000 of common stock is reasonably required by applicant for the purposes specified herein, that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted, as herein provided; therefore,

IT IS HEREBY ORDERED as follows:

1. Sparling Water Company, after the effective date hereof and on or before December 31, 1950, may issue five shares of common stock, of the aggregate par value of \$500, in exchange for the shares of common stock presently outstanding.
2. Sparling Water Company, after the effective date hereof and on or before December 31, 1950, may issue not exceeding 195 shares of common stock of the aggregate par value of \$19,500, and not exceeding 200 shares of preferred stock of the aggregate par value of \$20,000, in consideration for the cancellation of indebtedness in the amount of \$39,500 due R. W. Sparling.
3. Sparling Water Company 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.
4. The authority herein granted will become effective twenty (20) days after the date hereof.

Dated at Los Angeles, California, this 1st day of  
August, 1950.

Justin P. Casner  
James H. Powell  
Harold Hule  
Samuel P. Potts  
Commissioners