

**ORIGINAL**Decision No. 57980

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 SAN JOSE WATER WORKS, a corporation,  
 for an order authorizing it to split  
 its common shares

Application No. 40761

O P I N I O N

San Jose Water Works, a corporation, by application filed January 21, 1959, seeks authorization to issue shares of its common stock of the par value of \$12.50 each in exchange for presently outstanding shares of common stock of the par value of \$25 each in order to effect a split up, on a two-for-one basis, of its outstanding common stock.

At the present time, applicant's Amended Articles of Incorporation provide for an authorized capital stock of 1,261,821 shares of the par value of \$25 each, consisting of 511,821 shares of preferred stock and 750,000 shares of common stock, of which there are shares outstanding as follows:

	<u>No. of Shares</u>	<u>Total Par Value</u>
Preferred -		
Series A - 4.75% cumulative	30,000	\$ 750,000
Series B - 4.75 cumulative	5,436	135,900
Series C - 4.70 cumulative	3,856	96,400
Series D - 4.70 cumulative	2,529	63,225
Series E - 5.50 cumulative	<u>40,000</u>	<u>1,000,000</u>
Total preferred	81,821	2,045,525
Common:	<u>214,613</u>	<u>5,365,325</u>
Total	<u>296,434</u>	<u>\$7,410,850</u>

The preferred shares are entitled to cumulative dividends at the rates indicated and, except for the Series A, are convertible into common stock. As provided in the amended articles, the shares, both preferred and common, have equal voting rights.

Applicant now is undertaking to amend its Articles of Incorporation so as to change its authorized common shares from 750,000 of the par value of \$25 each to 1,500,000 of the par value of \$12.50 each, the effect of which will be to split the outstanding common shares on a two-for-one basis. It is not proposed to increase the total capital or surplus but merely to divide the common stock into twice the present number of shares and to reduce the par value of each common share to one half of its present par value.

Applicant's management is of the opinion that the proposed stock split will broaden the market for its common shares and will result in a wider distribution and an increased number of shareholders, all of which applicant believes is desirable and will facilitate future financing.<sup>1/</sup>

In order to maintain the voting relationship between the preferred shares and common shares, applicant proposes to amend its articles so as to give to the holders of the preferred shares of all series two votes for each preferred share held and to give the holders of the common shares one vote for each common share held. With the change in the par value of the common stock, the conversion prices will be proportionately changed.

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<sup>1/</sup> On the basis of applicant's balance sheet as of December 31, 1958, the presently outstanding common shares have a book value of approximately \$43 each. Information before the Commission shows that the shares have been quoted recently on the over-the-counter market at \$53 bid.

In considering this matter it appears to us that the proposed transaction will not be adverse to the public interest. Accordingly, we will enter our order granting applicant's requests.

O R D E R

The Commission having considered the above-entitled matter and being of the opinion that a public hearing 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 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. San Jose Water Works, on and after the date hereof, may change its authorized common shares from 750,000 of the par value of \$25 each to 1,500,000 of the par value of \$12.50 each and may issue to each holder of outstanding common shares certificates representing two common shares of the par value of \$12.50 each for each common share of the par value of \$25 each.
2. San Jose Water Works, from time to time, may issue common shares of the par value of \$12.50 each to persons who wish to surrender, in exchange therefor, shares of applicant's preferred stock, such exchange to be upon the basis of such conversion terms as are provided under the certificates of determination of preferences of said preferred shares.

3. San Jose Water Works shall charge the expenses of effecting the conversion of the common stock to its capital surplus account.

4. The authority herein granted will become effective when San Jose Water Works has filed with the Commission a certified copy of its Certificate of Amendment to its Articles of Incorporation to reflect the changes in its capital stock referred to in this proceeding.

Dated at San Francisco, California, this 9<sup>th</sup> day of February, 1959.

E. Lynn Fox  
President

W. H. Mitchell

W. H. Mitchell

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Commissioners