

Decision No. 23630.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SANTA CLARA VALLEY WALNUT COMPANY,)
a corporation, for an order author-)
izing (a) the execution of the notes)
and mortgage herein set forth, and)
(b) the issuance of its capital)
stock.)

Application No. 17263

ORIGINAL

W. F. Williamson, Wallace & Vaughan,
for applicant.

BY THE COMMISSION:

O P I N I O N

In this application the Railroad Commission is asked to make an order authorizing Santa Clara Valley Walnut Company to execute a mortgage, to issue promissory notes in the principal amount of \$300,000.00 and to issue stock of the aggregate par value of \$6,100.

Santa Clara Valley Walnut Company is a corporation organized during 1913 under the laws of the State of California. According to its petition, its business in the main consists in cultivating walnuts and other agricultural products in Ventura County. Incidental thereto, however, it is, and for some time past has been, engaged in operating a public utility warehouse business in Santa Barbara for the storage chiefly of walnuts, beans, grain, dried fruits and honey. Its utility operations have comprised but a small part of its total business, as shown by its income statement for the calendar year 1930, which is reported as follows:

Warehouse operating revenues.....	\$3,161.92
Warehouse operating expenses.....	6,452.77
Net warehouse operating loss.....	<u>3,290.85</u>
Ranch operating revenues	55,681.30
Ranch operating expenses.....	43,189.08
Net ranch operating revenues.....	<u>12,492.22</u>
Net operating revenues.....	<u>\$9,201.37</u>

The company reports its assets and liabilities in its 1930 annual report to the Commission as of December 31, 1930 as follows:

<u>A S S E T S</u>	
Fixed capital:	
Warehouse building.....	\$18,649.68
Office and trucks	<u>1,154.69</u>
Ranch	\$19,804.37
	<u>310,281.83</u>
Current assets:	
Cash	5,588.53
Accounts receivable	7,266.98
Materials	<u>3,488.86</u>
	<u>16,344.37</u>
TOTAL ASSETS.....	<u>\$346,430.57</u>
<u>L I A B I L I T I E S</u>	
Capital stock	\$ 10,000.00
Notes payable	300,000.00
Due C. A. Storke	27,526.78
Audited vouchers and wages unpaid	754.75
Surplus	<u>8,149.04</u>
TOTAL LIABILITIES.....	<u>\$346,430.57</u>

Of the outstanding stock \$3,900.00 was issued during 1913 and \$6,100.00 was issued during 1928, the latter amount being issued in part payment of the warehouse building now owned by applicant. All of the stock, save directors' qualifying shares, is reported held by C. A. Storke.

The outstanding notes, aggregating \$300,000.00, were issued on January 1, 1929 to C. A. Storke in payment for approximately 800 acres of land on the south side of the Santa Clara River about three and one half miles east of the City of Santa Paula. About 221 acres

are planted to walnut trees which are from twelve to thirty years old, 215 acres are used for raising beans, 15 acres are used for growing hay, while 345 acres are river overflow and grazing lands. Our investigation shows the present market value of the land to be substantially in excess of the cost shown in ^{the} balance sheet.

The notes, of which there are three each in the principal amount of \$100,000.00, are secured by a mortgage on the ranch property. One note is payable on March 1, 1938, one note on March 1, 1948 and one on March 1, 1958, with interest at the rate of four percent. Copies of the notes and mortgage are filed as Exhibit "C". We find the same to be in satisfactory form.

While it is true that the notes referred to were issued in payment for non-utility property, the fact remains that at the time of their issue the company was engaged in business as a public utility warehouseman and the notes therefore became the obligation of a corporation operating as a public utility. Applicant did not secure the approval of the Railroad Commission of the issue of the \$300,000. of notes nor of the issue of the \$6,100.00 of stock issued in 1928 in payment of its warehouse building, as required in Section 52 (b) of the Public Utilities Act. It clearly appears, however, that its failure to obtain such permission was through inadvertence and with no intention to evade the provisions of the Act. When the matter was called to its attention it caused the present application to be filed requesting the approval of its stock and note issues.

ORDER

Santa Clara Valley Walnut Company having applied to the Railroad Commission for an order authorizing the execution of a mortgage and the issue of notes and stock and the Railroad Commission being of the opinion that this is not a matter in which a public hear-

ing is necessary, that the application should be granted, as herein provided, and that the money, property or labor to be procured or paid for through the issue of the stock and notes is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED, that Santa Clara Valley Walnut Company be, and it hereby is, authorized to execute a mortgage or deed of trust substantially in the same form as that filed in this proceeding as Exhibit "C", and to issue, after the effective date hereof and prior to September 30, 1931, its promissory notes to be secured by such mortgage or deed of trust, in the aggregate principal amount of not exceeding \$300,000.00, consisting of three notes; one maturing on or before ten years after date of issue; one on or before twenty years after date of issue; and one on or before thirty years after date of issue, all with interest at the rate of four percent per annum, for the purpose of financing in part the cost of the acquisition of the ranch properties referred to in the foregoing opinion.

IT IS HEREBY FURTHER ORDERED, that Santa Clara Valley Walnut Company be, and it hereby is, authorized to issue on or before September 30, 1931, \$6,100.00 of its common capital stock in lieu of the stock issued during 1928 without an order from the Railroad Commission, for the purpose of financing the cost of the warehouse building owned and operated by applicant in Santa Barbara.

The authority herein granted is subject to the following conditions:

1. The authority herein granted to execute a mortgage or deed of trust is for the purpose of this proceeding only and is granted only insofar as this Commission has jurisdiction under the terms of the Public Utilities Act

and is not intended as an approval of said mortgage or deed of trust as to such other legal requirements to which it may be subject.

2. Applicant shall keep such record of the issue of the notes and stock herein authorized as will enable it to file, on or before the 25th day of each month a verified report, as required by the Railroad Commission's General Order No.24, which order insofar as applicable, is made a part of this order.

3. The authority herein granted to issue notes will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Three Hundred (\$300.00) Dollars. The authority herein granted to issue stock will become effective upon the date hereof.

DATED at San Francisco, California, this 27th day of April, 1931.

W. C. Leary
Leon A. Lillard
W. A. Linn
W. B. Lewis
Fred G. Stewart
Commissioners.

Fee \$ 300.⁰⁰/₁₀₀
RAILROAD COMMISSION
STATE OF CALIFORNIA
APR 27 1931
W. C. Leary
Fee # 29038