

LBM

Decision No. 23274

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SACRAMENTO RIVER FARMS, LTD.,
a corporation, for an order author-
izing the issuance of its common
shares of the par value of \$10. per
share to its shareholders in exchange
for its outstanding common shares of
the par value of \$100.

Application No. 20848

Farrand & Slosson, for applicant.

BY THE COMMISSION:

O P I N I O N

ORIGINAL

Sacramento River Farms, Ltd. has applied to the Railroad Commission for an order authorizing it to issue not exceeding 7418-1/12 shares of common stock of the par value of \$10. each in exchange for a like number of shares now outstanding, to be surrendered to it, of the par value of \$100. each.

The company heretofore has been engaged in operating certain farming lands and equipment and in conducting a public utility electric and water business at Hamilton City, Glenn County. Its revenues and expenses for the last three calendar years have been set forth in its annual reports to this Commission as follows:-

<u>Item</u>	<u>1933</u>	<u>1934</u>	<u>1935</u>
Utility operating revenues	\$ 6,060.73	\$ 5,825.66	\$ 5,977.05
Utility operating expenses	<u>4,543.70</u>	<u>3,058.53</u>	<u>3,314.71</u>
Net utility operating revenues. . . .	\$ 1,517.03	\$ 2,767.13	\$ 2,662.34
Nonutility revenues	<u>27,154.41</u>	<u>27,965.96</u>	<u>11,921.42</u>
Nonutility expenses	<u>18,649.33</u>	<u>18,482.62</u>	<u>17,679.74</u>
Net nonutility revenues	<u>8,505.08</u>	<u>9,483.34</u>	<u>5,758.32(1)</u>
Gross income	<u>10,022.11</u>	<u>12,250.47</u>	<u>3,095.98(1)</u>
Interest deductions	<u>17,700.65</u>	<u>18,803.63</u>	<u>15,952.28</u>
Loss for year	<u>\$ 7,678.54</u>	<u>\$ 6,553.16</u>	<u>\$ 19,048.26</u>

(1) Loss

At the close of 1935 the company had outstanding bills payable of \$363,854.02 and other liabilities of \$5,569.30.

It appears that applicant, during 1936, as a part of a general plan of liquidation of its assets, sold all its farming lands and equipment and a sugar factory located on said farming lands to Holly Sugar Corporation, retaining only a hotel and certain townsite lots and the public utility properties. From such sale it realized more than sufficient cash to enable it to pay its indebtedness. Its assets and liabilities as of September 30, 1936, following the sale of the above properties are reported as follows:-

<u>ASSETS</u>	
Fixed assets:	
Hotel and cottage	\$50,833.16
Streets, parks and walks	9,301.96
Townsites	99,282.50
Utility properties	43,570.70
Automobiles	1,065.50
Current assets:	
Cash-Bank of Eueneme	\$52,593.64
Utility bank account	6,989.94
Bills and accounts receivable	6,632.89
Contracts receivable	856.25
Petty cash	24.08
Total assets.....	<u>\$271,150.62</u>
<u>LIABILITIES</u>	
Capital stock	\$581,808.33
Assessments	624,761.70
Depreciation allowance	21,276.46
Suspense	365.00
Deficit	957,060.87
Total liabilities.....	<u>\$271,150.62</u>

Heretofore the company has had an authorized capital stock of \$2,700,000., consisting of 27,000 shares of the par value of \$100. each and divided into 5,000 shares of preferred stock and 22,000 shares of common stock, of which there had been issued, prior to 1936, 10,000 shares of the common stock. Of the amount thus issued it is alleged some shares subsequently were forfeited by reason of

nonpayment of assessments, leaving 5818-1/12 shares (\$581,808.33 par value) outstanding. In addition, the company during 1936 issued 1600 shares of common stock, under authority granted by Decision No. 24012, dated September 8, 1931, which stock is not included in the foregoing balance sheet, bringing the total stock heretofore issued up to 11,600 shares of the total par value of \$1,160,000. and the total stock now outstanding up to 7418-1/12 shares of the total par value of \$741,808.33.

It now appears that the company desires to simplify its financial structure and to reduce its capital stock to a figure more commensurate with the book value of its assets. To accomplish this purpose it has amended its Articles of Incorporation so as to reduce the par value of its common shares from \$100. to \$10. each and has reduced its stated capital from \$1,160,000., the total par value of its shares of common stock heretofore issued, to \$74,180.83. It proposes, in order to complete its program, to issue 7418-1/12 shares of the par value of \$74,180.83 in exchange, on a share for share basis, for the 7418-1/12 shares now outstanding of the par value of \$100. each.

The effect of these transactions will be to eliminate the assessments of \$624,761.70 and the deficit of \$957,060.87 from the company's balance sheet and to create and set up a reduction surplus of \$174,131.50. Thereafter the company proposes to take steps under the provision of Section 348(b) of the Civil Code to reduce its reduction surplus by the payment to its stockholders of the sum of \$51,926.56, being at the rate of \$7. per share on the outstanding 7418-1/12 shares of stock. This transaction, of course, can be carried out without the authority of the Commission.

It is noted that with the amendment to applicant's Articles of Incorporation it will have an authorized capital stock of \$720,000. divided into 27,000 shares consisting of 5,000 shares of preferred stock of the par value of \$100. each and 22,000 shares of common stock of the par value of \$10. each. While we will at this time authorize the issue of the new common shares, as defined in the company's Articles of Incorporation as now amended, such action should not necessarily be construed as binding the Commission in the future to authorize the issue of the preferred stock with a par value of \$100. a share, if requested to do so.

ORDER

Sacramento River Farms, Ltd. having applied to the Railroad Commission for permission to issue 7418-1/12 shares of its common capital stock, and the Railroad Commission being of the opinion that this is not a matter in which a public hearing 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 such issue of stock is reasonably required for the purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that Sacramento River Farms, Ltd. be, and it hereby is, authorized to issue, on or before February 28, 1937, not exceeding 7418-1/12 shares of its common stock of the par value of \$10. each in exchange, on a share for share basis, for 7418-1/12 shares of its common stock now outstanding of the par value of \$100. each, provided,

1. That applicant shall file with the Commission on or before March 15, 1937, a statement showing the names of those to whom it issued said 7418-1/12 shares of

stock of the par value of \$10. each, and the number of shares issued to each; and

2. That the authority hereby granted will become effective upon the date hereof.

DATED at San Francisco, California, this 16th day of November, 1936.

M B Harris
Leon Whitely
M J Linn
William M. M.
Frank R. M.
Commissioners.