

ORIGINAL

Decision No. 43353

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
DEN DULK WAREHOUSE & FEED COMPANY, INC.,	:	
a California corporation, and ARIE den)	Application
DULK, JR., and ALETHA den DULK, his wife,	:	No. 30445
for a permit to issue stock in exchange)	
for transfer of assets.	:	
-----)	

O P I N I O N

This is an application for an order of the Commission authorizing Arie den Dulk, Jr. and Aletha den Dulk, his wife, hereinafter referred to as Sellers, to sell and transfer certain properties to Den Dulk Warehouse & Feed Company, Inc., hereinafter referred to as the Corporation, and authorizing said Corporation, in payment for such properties, to assume the payment of indebtedness and to issue shares of common stock in an amount determined by the net worth of Sellers as of June 30, 1949.

The application shows that Sellers have been and are the owners of that certain business operated under the fictitious name of Den Dulk Warehouse and Feed Co., located in Ripon, California, consisting generally of the sale of feed, seed, fertilizer, spray materials, animal remedies, paints, sacks, and miscellaneous other farm supplies and weighing, milling, grinding and storage services and the purchase and sale of all types of farm commodities and insurance sales.

Financial statements filed with the Commission show that Sellers' public utility warehouse operations constitute but a small

part of their total operations. In the present application they report, for the six months ending June 30, 1949, storage revenues of \$2,833.01 and gross sales and other revenues of \$250,848.66, with net income for the period, from all sources, of \$7,668.99. Sellers report their assets and liabilities and net worth as of June 30, 1949, as follows:

Assets

Current assets:		
Cash	\$ 1,107.17	
Accounts receivable-net	61,321.15	
Inventories	36,997.17	
Prepaid expenses	<u>1,346.69</u>	
Total current assets		\$100,772.18
Plant and equipment:		
Gross amount	130,648.36	
Less-depreciation reserve	<u>17,917.72</u>	
Net plant and equipment		112,730.64
Deferred expenses		<u>208.50</u>
Total		<u>\$213,711.32</u>

Liabilities and Net Worth

Current liabilities:		
Notes and accounts payable	\$ 47,644.12	
Other current and accrued liabilities	<u>2,642.70</u>	
Total current liabilities		\$ 50,286.82
Long-term indebtedness		<u>35,750.00</u>
Total liabilities		86,036.82
Owners' capital		<u>127,674.50</u>
Total		<u>\$213,711.32</u>

Sellers have concluded to incorporate their business and to that end have caused the Corporation to be organized to receive such assets and thereafter to continue the operations. The Corporation has an authorized capital stock of 7,500 shares of the par value of \$100 each, classified into 2,500 shares of preferred stock and 5,000 shares of common stock. Under the present articles of incorporation, the holders of preferred shares have limited voting rights. As stated, the Corporation proposes to assume the payment of

Sellers' liabilities and to issue shares of common stock against Sellers' net worth as of June 30, 1949, which, as shown by the balance sheet, amounted to \$127,674.50. The Corporation is not asking permission to issue any preferred stock. In authorizing it to issue common stock for the purpose of acquiring properties, the Commission is not approving the terms of the preferred stock, nor is it subscribing to the theory that the holders of common stock shall have full voting rights in the event the Corporation hereafter asks permission to issue preferred stock.

There is on file in this application an appraisal of Sellers' plant and equipment. The following statement shows the cost of such plant and equipment as recorded on June 30, 1949, and the appraisal thereof:

<u>Item</u>	<u>Books 6-30-49</u>	<u>Appraisal</u>	<u>Excess of Appraisal</u>
Land	\$ 7,547.74	\$ 7,500.00	\$ (47.74)
Buildings	32,855.18	52,795.86	19,940.68
Equipment	14,872.85	41,102.00	26,229.15
Autos and trucks	10,477.14	20,674.00	10,196.86
Furniture	1,867.81	3,460.50	1,592.69
Storage bins	5,272.16	5,116.00	(156.16)
Total	72,892.88	130,648.36	57,755.48
Depreciation	26,001.23	17,917.72	(8,083.51)
Balance	<u>\$46,891.65</u>	<u>\$112,730.64</u>	<u>\$65,838.99</u>

An examination of Sellers' records shows that substantial portions of the cost of their plant and equipment have been constructed and installed since 1946, and that certain elements of cost such as freight, installation labor and materials have not been charged to plant and equipment accounts, and that certain expenditures for improvements on leased premises have been eliminated from their books. The examination shows that the cost of Sellers' plant and equipment should be increased by \$53,574.06. We find that

Sellers' net worth is \$114,700 and that the Corporation should be authorized to issue \$114,700 of common stock in part payment for Sellers' properties.

The action taken herein shall not be construed to be a finding of the value of the properties herein authorized to be transferred.

O R D E R

The Public Utilities Commission having considered this 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 \$114,700 par value of common stock by Den Dulk Warehouse & Feed Company, Inc. is reasonably required by it for the purpose herein stated, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted, subject to the provisions of this order; therefore,

IT IS HEREBY ORDERED as follows:

1. Arie den Dulk, Jr. and Altha den Dulk, on or before December 31, 1949, may sell and transfer to Den Dulk Warehouse & Feed Company, Inc., a corporation, the assets and business referred to in this application, such sale and transfer, except for the amount of stock which the Corporation may issue, to be upon the terms and conditions set forth in the agreement of sale and transfer filed as Exhibit "E".

2. Den Dulk Warehouse & Feed Company, Inc. on or before December 31, 1949, in payment for such assets and business, shall assume all obligations and liabilities of said business of Sellers and may issue not exceeding \$114,700 par value of its common stock to Sellers.

3. Applicants, on not less than five days' notice to the Commission and to the public, shall supplement or reissue the tariffs on file with the Commission insofar as they name rates, rules and regulations governing warehouse operations of Aric den Dulk, Jr. and Aletha den Dulk to show that they have withdrawn and canceled and Den Dulk Warehouse & Feed Company, Inc., a corporation, concurrently has adopted or established as its own, said rates, rules and regulations. The tariff filings made pursuant to this order shall, in all other respects, comply with the regulations governing the filing of warehouse tariffs set forth in the Commission's General Order No. 61.

4. Within sixty (60) days after the sale and transfer of said assets and business under the authority herein granted, Den Dulk Warehouse & Feed Company, Inc. shall file with the Commission a statement showing the number of shares of stock issued, to whom said shares were issued, and the purposes for which such stock was issued.

5. The authority herein granted is effective twenty (20) days after the date hereof.

Dated at San Francisco, California, this 4th day of October, 1949.

J. F. [Signature]
Justice J. [Signature]
Robert H. [Signature]
Harold P. [Signature]
Herbert H. [Signature]
Commissioners