Decision No. 45054

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOLEDAD WAREHOUSE CO.

to issue and sell its common stock.

Application No. 31739

ORIGINAL

OPINION

Soledad Warehouse Co. has filed this application for authorization to issue 12 shares of common stock, of the aggregate par value of \$1,200, for the purpose of paying outstanding indebtedness.

Organized on July 3, 1948, applicant, at the outset, entered into the public utility warehouse business in Soledad, Monterey County, and in bean cleaning and other related activities, and later, during May, 1949, became engaged in the business of buying and selling lumber. It has reported its revenues and expenses for the year ended May 31, 1950, as follows:

	Lumberyard	Warehouse	Total
Sales	\$88,033.67	\$21,898.17	\$109,931.84
Less-cost of sales	<u>65,672.61</u>	18,680.63	84.353.24
Gross profit on sales	22,361.06	3,217.54	
Storage		15,992.70	15,992.70
Bean cleaning		22,847.89	22,847.89
Miscellaneous	~~~	4,265.27	4,265.27
Total revenues	22,361.06		
Operating expenses	10,321.89		
Net operating income	\$12,039.17	\$16,037.02	28,076.19
General and administrative			19,023.06
Net profit from operation			\$ 9.053.13

Applicant's financial position as reflected by its balance sheets as of May 31st of each of the years 1949 and 1950, and the net changes during the twelve months period, as reported in its latest annual report to the Commission, are shown below:

<u>Assets</u>	May 31,1949	May 31,1950	Net changes
Organization expense Fixed assets Inventories Cash and other current assets	\$ 873.68 64,672.05 12,702.28 14,192.55	26,479.39	\$ 1,024.73 13,777.11 10,982.67
Total	\$92,440.56	\$118,225.07	\$25,784.51
<u>Liabilities</u>			•
Common stock Preferred stock Notes payable Current liabilities Reserve for depreciation Surplus	\$45,000.00 19,703.80 23,578.73 5,566.04 (1,408.01)	\$ 45,000.00 15,400.00 21,953.15 17,578.23 13,595.28 4,698.41	15,400.00 2,249.35 (6,000.50)
Total	<u>\$92,440.56</u>	\$118,225.07	<u>\$25,784.51</u>

The foregoing financial statement indicates that in making provision for working capital applicant, during the twelve months period, issued \$15,400 of preferred stock, incurred indebtedness and drew upon its earnings. Among other things, applicant reports that it is indebted in the amount of \$1,200 to Charles L. Madsen, one of its employees, who has signified his willingness to accept stock in satisfaction of the amount, instead of cash.

It appears that applicant, among other things, had need for the funds represented by its liabilities to provide working capital to improve and maintain its service, and accordingly it is proper at this time to authorize it to issue stock, as now requested, to pay indebtedness incurred for this purpose. Applicant reports that in its opinion during the coming year it will require the continuing investment of equally large sums in its inventories and working assets.

QRDER

The Commission having considered the above entitled matter, and being of the opinion that a public hearing thereon is

not necessary; that the application should be granted, as herein provided; that the money, property or labor to be procured or paid for through the issue of the stock herein authorized is reasonably required by applicant for the purpose specified herein; and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

- 1. Soledad Warehouse Co., after the effective date hereof and on or before February 28, 1951, may issue not exceeding \$1,200 par value of its common stock in payment of indebtedness due Charles L. Madsen.
- 2. Applicant 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.
- 3. The authority herein granted will become effective twenty (20) days after the date hereof.

Dated at San Francisco, California, this <u>28</u> day of November, 1950.