

ORIGINAL

Decision No. 51076

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
TRI-COUNTIES RICE DRYER CO., a part-	:	
nership consisting of H. T. THRASE,)	
O. C. EASTER, MERLE P. BROOKS, THOMAS	:	
HAVERTY and STEVEN PETRUSICH, to)	
transfer, and of CENTRAL EUREKA COR-	:	
PORATION, a corporation, to acquire)	Application
assets, including certain public	:	No. 36645
warehouse property and equipment, and)	
In the Matter of the Application of	:	
CENTRAL EUREKA CORPORATION, a corpor-)	
ation, for authority to issue certain	:	
convertible Debentures and assume)	
certain liabilities.	:	
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O P I N I O N

In this application the Commission is asked to make an order authorizing H. T. Thrash, O. C. Easter, Merle P. Brooks, Thomas Haverty and Steven Petrusich, partners doing business as Tri-Counties Rice Dryer Co., hereinafter referred to as the Partners, to transfer warehouse properties to Central Eureka Corporation, hereinafter referred to as Central Eureka, and authorizing the latter to issue a promissory note in the principal amount of \$878,600, debentures in the total amount of \$300,000, and common stock of the aggregate par value of \$300,000.

Operations of Partners

The Partners are engaged in business in Colusa County as Tri-Counties Rice Dryer Co. and also as Continental Trading Company. The two partnerships are engaged in the business of growing, purchasing and drying rice, and Tri-Counties Rice Dryer Co. in addition has tariffs on file with the Commission naming rates for public

utility storage. A summary of the revenues and expenses of Tri-Counties for the year ended September 30, 1954, and of Continental Trading for the year ended October 31, 1954, is as follows:

	<u>Tri-Counties</u>	<u>Continental</u>
Revenues -		
Storage	\$ 49,875.15	\$ - -
Other	<u>176,231.08</u>	<u>136,601.97</u>
Total revenues	226,106.27	136,601.97
Expenses	<u>152,392.62</u>	<u>116,954.68</u>
Net earnings	<u>\$ 73,713.65</u>	<u>\$ 19,647.29</u>

The properties of the Partners include rice drying and storage facilities, trucks, office equipment, and ranch leases and equipment. The investment in the public utility warehouse business is reported at \$252,416.85, according to the Partners' annual report to the Commission for the year ended September 30, 1954.

Central Eureka Corporation

Central Eureka is a corporation organized on October 29, 1894, under the laws of the State of California. For many years it was engaged in the operation of mining properties but in 1954 it suspended such operations and now is in the process of disposing of certain of its mining equipment. Currently, it is engaged in cattle feeding and feed milling activities in San Jose and in the meat business in Los Angeles and Boise, Idaho. For the year ended August 31, 1954, it reported net sales and other income in the amount of \$13,448,410.

Transfer of Partners' Properties

The Partners are desirous of discontinuing their operations and have entered into an agreement to sell the assets of both partnerships to Central Eureka.

The agreement of sale provides for payment as follows:

In cash	\$ 160,000
Through the assumption of liability to Pacific National Bank of San Francisco, not exceeding	160,000
Through the issue of a note	<u>878,600</u>
Total	<u>\$1,198,600</u>

The note will be unsecured and will bear interest at the rate of 4% per annum. It will be payable out of the net profits of the business to be acquired from the Partners, provided that in the event such profits will be insufficient to pay the amount during the five years commencing March 1, 1955, Central Eureka thereafter will pay annually \$75,000, or the net profits of the rice business, whichever is greater, until the note is fully paid.

Issue of Debentures

Central Eureka seeks authorization to sell \$300,000 of debentures and to use the proceeds to meet cash payments required under the agreement of sale, to provide working capital for the improvement or maintenance of service, and to pay expenses incident to the issue and sale of such debentures.

The debentures will be unsecured, will be dated February 1, 1955, will be due February 1, 1965, and will bear interest at the rate of 5% per annum. They will be subject to redemption at the option of Central Eureka at 105% of the principal amount thereof if redeemed on or before February 1, 1960, at 103% of the principal amount if redeemed thereafter and on or prior to February 1, 1963, and at 100% of the principal amount if redeemed thereafter and prior to maturity, together with accrued interest to the date of redemption.

The debentures will be convertible at the option of the holder into fully-paid shares of Central Eureka's common stock of

the par value of \$1 a share from and including March 1, 1956, to and including February 1, 1958, at the rate of one share of common stock for each \$1 principal amount of debentures, and thereafter to and including February 1, 1960, at the rate of one share of common stock for each \$1.25 principal amount of debentures, and thereafter to and including maturity at the rate of one share of common stock for each \$2 principal amount of debentures.

Central Eureka plans to enter into an underwriting agreement providing for the sale of the debentures at par with a \$50 underwriting commission for each \$500 debenture sold.

Issue of Common Stock

Central Eureka has an authorized capital stock of 2,500,000 shares, of the par value of \$1 each, of which 1,810,788 shares presently are outstanding.

In order that it may be in a position to issue shares of stock to debenture holders, should any debentures be surrendered for conversion, it seeks Commission authorization for the issue of not exceeding 300,000 of its shares of stock.

Summary and Findings

The properties and business of the Partners primarily are of a nonutility nature, the storage business of Tri-Counties being incidental to the larger mercantile and farming operations. The financial statements filed with the Commission indicate that the overall operations have been profitable and it appears clear that the business should be sufficient to service the securities Central Eureka proposes to issue. Upon a full consideration of this matter, we are of the opinion, and so find, that the proposed transfer will

not be adverse to the public interest and that the money, property or labor to be procured or paid for by the issue of the note, the debentures and the shares of stock herein authorized is reasonably required by Central Eureka Corporation for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

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 Commission having considered the above entitled matter, and being of the opinion that a public hearing is not necessary and that the application should be granted, as herein provided; therefore,

IT IS HEREBY ORDERED as follows:

1. H. T. Thrash, O. C. Easter, Merle P. Brooks, Thomas Haverty and Steven Petrusich, partners doing business as Tri-Counties Rice Dryer Co., may transfer their public utility warehouse properties to Central Eureka Corporation, in accordance with the terms and conditions set forth in this proceeding, and Central Eureka Corporation may acquire such properties and assume the payment of indebtedness to Pacific National Bank of San Francisco in the sum of not exceeding \$160,000 and the other obligations set forth in the agreement of sale.

2. Central Eureka Corporation may issue its promissory note in the principal amount of not exceeding \$878,600 to finance in part the acquisition of the properties herein authorized to be transferred, said note to be in, or substantially in, the same form as that filed in this proceeding as Exhibit C.

3. Central Eureka Corporation may issue and sell not exceeding \$300,000 in principal amount of its 5% debentures, in accordance with the terms and conditions set forth in this application and for the purposes set forth therein.

4. Central Eureka Corporation may issue not exceeding 300,000 shares of its common stock, from time to time, upon conversion of said debentures.

5. On not less than five days' notice to the Commission and to the public, applicants shall supplement or reissue the tariffs now on file with the Commission, insofar as they name rates, rules and regulations governing the warehouse operations here involved, to show that H. T. Thrash, O. C. Easter, Merle P. Brooks, Thomas Haverty and Steven Petrusich, partners doing business as Tri-Counties Rice Dryer Co., have withdrawn or canceled and that Central Eureka Corporation concurrently has adopted or established, as its own, said rates, rules and regulations. The tariff filings made pursuant to this order in all respects shall comply with the regulations governing the construction and filing of warehouse tariffs set forth in the Commission's General Order No. 61.

6. Central Eureka Corporation shall file with the Commission monthly reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

7. The authority herein granted will become effective when Central Eureka Corporation has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$1,089.

Dated at San Francisco, California, this 7th day of February, 1955.

[Signature]
President

Justin F. Caldwell

Rayle L. Lintner

Commissioners

Commissioner Matthew J. Dooley, being necessarily absent, did not participate in the disposition of this proceeding.

