

Decision No. 51565

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of)
TARKE WAREHOUSE COMPANY, a Corporation,)
for authority (a) to issue stock; (b) to)
borrow money and execute a note or notes,)
Deed of Trust and Chattel Mortgage against)
corporate property to secure the same.)
-----)

Application
No. 36993

O P I N I O N

In this proceeding the Commission is asked to make an order authorizing Tarke Warehouse Company to issue 15,000 shares of its common stock of a par value of \$10 each in exchange for presently outstanding shares and in reimbursement of its treasury, and authorizing it to execute a deed of trust, a mortgage of chattels and a note in the principal amount of \$100,000 for the purpose of financing the cost of facilities.

Applicant is engaged in warehousing agricultural commodities, principally beans and grain, in Sutter and Butte counties, and in related activities. Its annual reports to the Commission for the last three fiscal years ended May 31 show its revenues and net profit as follows:

	<u>Warehouse Revenues</u>	<u>Other Revenues</u>	<u>Total Revenues</u>	<u>Net Profit</u>
1952	\$63,414	\$197,352	\$260,766	\$17,985
1953	64,280	220,884	285,164	26,413
1954	78,048	255,889	333,937	45,472

Applicant has financed itself primarily through the issue of common stock and through the retention of earnings from operations.

Its financial position as of June 1, 1954, is indicated in the following balance sheet:

<u>Assets</u>		
Current assets -		
Cash	\$ 37,686	
Accounts receivable	65,007	
Inventories	<u>62,111</u>	
Total current assets		\$164,804
Tangible property, less reserve		<u>207,945</u>
	Total	<u>\$372,749</u>
<u>Liabilities and Capital</u>		
Notes and accounts payable		\$ 67,456
Taxes payable		9,444
Equity capital -		
Common stock	\$ 30,000	
Surplus	<u>265,849</u>	
Total equity capital		<u>295,849</u>
	Total	<u>\$372,749</u>

The outstanding shares of stock consist of 300 shares having a par value of \$100 each and a book value on the basis of the foregoing balance sheet of approximately \$1,000. It appears that applicant now desires to reduce the book value of its shares of stock and to bring its total stated capital up to a point more nearly approaching its investment in its assets. It is therefore undertaking to reclassify its stock so as to reduce the par value from \$100 to \$10 and thereafter to issue 3,000 shares of its new \$10 stock to replace and retire the outstanding 300 shares of \$100 stock, and to distribute to its present shareholders 12,000 shares of new stock, proportionately in accordance with their respective holdings, as a stock dividend, thereby capitalizing \$120,000 of the earned surplus. At the conclusion of the financing it will have 15,000 shares outstanding, of the aggregate par value of \$150,000, and unappropriated surplus of \$145,849.

Applicant also is undertaking to engage in debt financing. It reports that it desires to enlarge and improve its warehousing and processing facilities at its Durham plant and that it finds it necessary to expend for these purposes the sum of \$100,000, as follows:

52' x 300' warehouse addition	\$ 35,000.00
Bins, elevator and storage bins for bulk handling	10,000.00
1500 individual storage boxes (1300 steel, 200 plywood)	45,000.00
Cleaner improvement, hand packing and polishing equipment and other additions to warehouse equipment	<u>10,000.00</u>
Total	<u>\$100,000.00</u>

It is applicant's intention to finance the proposed expenditures through the issue of a note to Bank of America National Trust and Savings Association, which will be payable in annual installments of \$5,000 commencing June 1, 1956, and continuing up to June 1, 1960, on which date the entire unpaid balance shall become due and payable, together with interest at the rate of $4\frac{1}{2}\%$ per annum on deferred balances.

In presenting this matter to the Commission, applicant asserts that the improvements and extension of its facilities at Durham are necessary to serve the farmers in that community, that the principal crop handled in that location is beans, that the 1954 crop delivered by the growers for processing and storage consisted of 98,000 sacks which overtaxed the limited facilities of the plant, and that the bean producing area in the Durham and Chico neighborhood is rapidly expanding with the prospect for the 1955 and subsequent years' crops being greater than heretofore and requiring additional processing and warehousing facilities.

From a review of the application and of the financial statements on file with the Commission, we are of the opinion that applicant will have need for additional funds to meet its capital requirements and that an order is warranted granting its request, not only to borrow said funds but also to issue its shares of stock.

ORDER

The Commission having considered the above entitled matter and being of the opinion that a public hearing is not necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for by the issue of the shares of stock and the note herein authorized is reasonably required by applicant for the purposes specified herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED as follows:

1. Tarke Warehouse Company may issue not exceeding 15,000 shares of its capital stock, of the par value of \$10 each, on or before December 31, 1955, for the purposes set forth in this application.
2. Tarke Warehouse Company may execute a deed of trust and a mortgage of chattels and issue a note in the principal amount of \$100,000 on or before December 31, 1955, for the purpose of financing the cost of additions to its facilities, said deed of trust, mortgage of chattels and note to be in, or substantially in, the same form as those filed in this proceeding.

3. Tarke Warehouse Company 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.

4. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$100.

Dated at San Francisco, California, this 9th day of June, 1955.

Peter E. Mitchell
President
Ralph [unclear]
[unclear]

Commissioners

