

Decision No. 52427

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of CENTRAL EUREKA CORPORATION, a corporation, for Authority to Issue Preferred Stock.

Application No. 37608

O P I N I O N

This is an application for an order authorizing Central Eureka Corporation to issue \$1,175,000 par value of its 5% cumulative preferred stock and \$1,175,000 par value of its common stock.

Applicant was organized under the laws of California on October 29, 1894. At the outset, and for many years, it engaged in operating mine properties located at Sutter Creek, Amador County, but in 1954 it suspended such activities. In addition, it engaged in cattle feeding and feed milling activities in San Jose, and in meat packing in Los Angeles and Boise, Idaho. In 1955 it acquired the rice drying and storage facilities and operations of Tri-Counties Rice Dryer Co. and Continental Trading Company in Colusa County, such operations including a small amount of public utility storage under tariffs on file with the Commission.

It appears that certain of applicant's operations became unprofitable and that although the rice drying and storage operations in Colusa had produced net income, nevertheless applicant had developed an accumulated deficit as of October 31, 195⁵, of \$3,929,332. Its CFH balance sheet position as of that date is indicated in the following tabulation:

Assets

Current assets -		
Cash	\$	35,314
Notes and accounts receivable		277,001
Inventories		422,339
Prepaid expenses		310,003
Total current assets		<u>\$1,044,657</u>
Investments		1,564
Deferred charges		248,228
Fixed assets, less depreciation reserve		1,870,460
Goodwill		<u>13,927</u>
	Total	<u>\$3,178,836</u>

Liabilities and Capital

Current liabilities		\$ 316,317
Long-term liabilities -		
Unsecured	\$1,766,390	
Secured	1,119,175	
Convertible debentures	<u>160,000</u>	
Total long-term liabilities		3,045,565
Capital -		
Common stock	\$1,810,788	
Capital surplus	1,791,853	
Earned surplus (deficit)	<u>(3,929,332)</u>	
Total capital		(326,691)
	Total	<u>\$3,178,836</u>

The unsecured obligations include \$1,175,000 in principal amount of 4½% and 5% notes in favor of Edward H. Heller and Clara Hellman Heller, which are dated September 30, 1954, prior to the time applicant acquired its public utility operations, and originally were payable September 30, 1955, the maturity date, however, having been extended to December 31, 1955.

The application shows that Edward H. Heller and Clara Hellman Heller have agreed to surrender their \$1,175,000 of notes to applicant for cancellation in exchange for \$1,175,000 par value of applicant's preferred shares. Such shares will carry cumulative dividends at the rate of 5% per annum, will be convertible on or

after March 1, 1956, into common shares on a dollar-for-dollar basis, subject to certain adjustments of the conversion price as may hereafter be provided, and will have no voting rights unless dividends are in arrears for two or more quarterly payments, in which event the preferred shares will have voting rights on the basis of one vote for each dollar of par value. On the payment of the dividend arrearages the preferred shares will cease to have voting rights unless further arrearages occur.

A review of the application clearly shows that applicant does not have sufficient funds to pay its unsecured notes which now are past due. The issue of the preferred shares will improve applicant's position by the decrease of its debt liability and substitution of permanent stock capital. Upon the basis of the information set forth in the verified application, we will enter our order approving applicant's requests.

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, 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 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. Central Eureka Corporation may issue not exceeding \$1,175,000 par value of its preferred stock on or before April 30, 1956, to Edward H. Heller and Clara Hellman Heller for the purpose of

paying outstanding indebtedness of like amount.

2. Central Eureka Corporation from time to time may issue \$1,175,000 par value of its common stock, or such other number of shares as may be required, as conversion stock in the event of the conversion of the preferred shares.

3. Central Eureka Corporation shall file reports with the Commission 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 upon the date hereof.

Dated at San Francisco, California, this 4th day of January, 1956

[Signature]
President

Justin J. Casner

Ralph E. Eusterman

[Signature]

[Signature]
Commissioners