

LEB

Decision No. 20759.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
MERCHANTS ICE AND COLD STORAGE COMPANY)
OF LOS ANGELES for an order authoriz-) Application No. 15367
ing the issue of stocks.)

Fickeisen and Richardson,
by A. G. Fickeisen, for applicant.

BY THE COMMISSION:

ORIGINAL

OPINION

In the above entitled matter the Railroad Commission is asked to make its order ratifying and approving the issuance by Merchants Ice and Cold Storage Company of Los Angeles of 1,422.84 shares of its capital stock to its stockholders of record on January 8, 1926, as a stock dividend, and ratifying and approving the issuance to George S. Jones of 20.06 shares at par for cash.

The application shows that Merchants Ice and Cold Storage Company of Los Angeles is engaged in the business of manufacturing and delivering ice and distilled water and operating a cold storage warehouse in the City of Los Angeles. For the year 1928 the company reports gross revenues from the sale of ice at \$402,223.65; gross revenues from the sale of distilled water at \$46,960.00; and gross revenue from the operation of the cold storage business at \$51,311.75; making total gross revenues of \$500,495.40. After deducting the cost of goods stored and other expenses the net profits for the year 1928 are reported at \$123,630.13.

It appears that the corporation was organized under the laws of the State of California in 1905 with an authorized capital stock of 1,000 shares of the par value of \$100.00 each, all common, aggregating \$100,000.00 and that thereafter its authorized capital stock was increased to \$500,000.00 consisting of 5,000 shares of the par value of \$100.00 each, all common. The application shows that of the authorized capital stock 3,557.1 shares of the aggregate par value of \$355,710.00 of stock was issued prior to March 23, 1912, and that on July 25, 1928, pursuant to authority obtained from the Commissioner of Corporations of the State of California, 1,422.84 shares of stock, of the aggregate par value of \$142,284.00, were issued to the company's stockholders of record as of January 8, 1926 as a stock dividend and 20.06 shares of the par value of \$2,006.00, were sold to George S. Jones for cash, and the proceeds used for working capital.

The corporation did not obtain authority from the Railroad Commission to issue stock, but it clearly appears that its failure to do so was through inadvertence and with no intent to avoid the provisions of the Public Utilities Act. When the matter was called to the company's attention, it forthwith filed this present application.

In making the application the company has filed as Exhibit "E" a financial statement showing its assets and liabilities as of December 31, 1928;-

ASSETS:

Current assets:			
Cash	\$22,558.37		
Notes receivable	150,613.98		
Accounts receivable	38,962.19		
Other current assets	<u>11,900.00</u>	\$224,034.54	
Investments		25,917.52	
Guarantee deposits		588.50	
Fixed assets	903,913.69		
Less reserve for depreciation	<u>317,463.06</u>	586,450.63	
Inventories		18,243.61	
Deferred charges		73,692.04	
Total assets			<u>\$929,526.84</u>

LIABILITIES:

Current liabilities:		
Notes payable	\$30,000.00	
Accounts payable	14,301.06	
Other current liabilities	4,337.61	
Accruals	<u>20,982.14</u>	\$ 69,621.01
Capital stock		500,000.00
Surplus from appreciation of property		43,977.94
Surplus unappropriated		<u>315,927.89</u>
Total liabilities.....		<u>\$929,526.84</u>

It clearly appears from the application and the exhibits submitted in connection therewith and from the testimony adduced at the hearing in this matter that the company has had surplus earnings in excess of \$142,284.00, and that such surplus earnings have been used in the company's business and properties. If, however, the company is a public utility, and it alleges that it is, stock issued without permission from the Commission is void and we cannot ratify and approve a void issue. The order herein accordingly will authorize applicant to issue \$142,284.00 of stock to reimburse its treasury on account of surplus earnings invested in its properties and business and thereafter to distribute such stock as a stock dividend, and to issue and sell at par \$2,006.00 of stock and to use the proceeds for working capital.

ORDER

Merchants Ice and Cold Storage Company of Los Angeles having applied to the Railroad Commission as indicated in the foregoing opinion, a public hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the issue of \$144,290. of stock is reasonably required by applicant for the purposes specified herein and that the expenditure for such purposes is not in whole or in part reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED that Merchants Ice and Cold Storage Company of Los Angeles be, and it hereby is, authorized to issue not exceeding \$142,284.00 of its common capital stock to reimburse its treasury on account of surplus earnings invested in its properties and business, and to issue and sell, at par, \$2,006.00 of its common capital stock and to use the proceeds for working capital.

The authority herein granted is subject to the following conditions:-

(1) Concurrently with the issue of the stock herein authorized, applicant shall take up and forthwith cancel certificates of equivalent par value purporting to evidence shares of its capital stock heretofore issued without authority from the Railroad Commission.

(2) After reimbursing its treasury with the \$142,284.00 of stock herein authorized to be issued for such purpose, applicant may distribute such stock to its stockholders as a stock dividend.

(3) Applicant shall keep such record of the issue of the stock herein authorized as will enable it to file on or before the 25th day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order insofar as applicable, is made a part of this order.

(4) The authority herein granted shall become effective upon the date hereof.

DATED at San Francisco, California, this 8th day of February, 1929.

Thos D. Lott
Chas. J. ...
Edward J. ...
Leon Whitall
W. J. ...

Commissioners.