

Decision No. 28473

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
MERCHANTS ICE AND COLD STORAGE COM-
PANY OF LOS ANGELES, PASADENA ICE
COMPANY, POMONA VALLEY ICE COMPANY
and LOS ANGELES ICE AND COLD STOR-
AGE COMPANY for authority to merge
into Merchants Ice and Cold Storage
Company of Los Angeles under the
name of Los Angeles Cold Storage
Company and to issue \$483,000. par
value of stock of said surviving
corporation to the stockholders of
applicants in exchange for their
present stock.)

ORIGINAL

Application No. 20296

O'Melveny, Tuller & Myers, by Graham L. Sterling, Jr.,
for applicants.

BY THE COMMISSION:

O P I N I O N

In this proceeding the Commission is asked to enter its order authorizing Merchants Ice and Cold Storage Company of Los Angeles, Pasadena Ice Company, Pomona Valley Ice Company and Los Angeles Ice and Cold Storage Company to execute an agreement of merger similar in form to that filed in this proceeding as Exhibit "E" and authorizing the surviving corporation, Merchants Ice and Cold Storage Company of Los Angeles under the name of Los Angeles Cold Storage Company, to issue 4,830 shares (\$483,000.00 par value) of common stock in exchange for \$483,000.00 par value of applicants' stock now outstanding.

Merchants Ice and Cold Storage Company of Los Angeles is a California corporation and is engaged in the cold storage business in Los Angeles. It is of record that it has \$100,000.00 par value of stock outstanding.

Pasadena Ice Company is a California corporation and is engaged in the cold storage business in Pasadena. The record shows that it has \$37,500.00 par value of stock outstanding.

The Pomona Valley Ice Company is a California corporation and is engaged in the cold storage business in Pomona. It is of record that it has \$110,000.00 of stock outstanding.

The Los Angeles Ice and Cold Storage Company is a Delaware corporation and is engaged in the cold storage business in Los Angeles. It is of record that it has \$235,500.00 of stock outstanding.

All of the outstanding stock of the four companies is owned by the California Consumers Corporation subject to the pledge thereof to the Security-First National Bank of Los Angeles under the trust indenture and mortgage of chattels dated December 1, 1935 securing the outstanding bonds of California Consumers Corporation in the amount of \$3,496,500.00. The California Consumers Corporation is a California corporation engaged in the business of manufacturing and selling ice and refrigeration and related products in Los Angeles, San Bernardino, Orange and Riverside Counties.

The testimony shows that at a regular meeting of the respective Boards of Directors of applicants held on November 27, 1935 the execution of the agreement of merger of November 27, 1935 filed in this proceeding as Exhibit "E" was authorized. It further appears that the California Consumers Corporation as the holder of the outstanding stock of applicants and the Security-First National Bank of Los Angeles as pledgee thereof, approve of said merger of applicants. The merger agreement provides in substance that all of the applicants shall be merged into Merchants Ice and Cold Storage Company of Los Angeles, whose name will be changed to Los Angeles Cold Storage Company, the surviving corporation. It will have a stated capital of \$483,000.00 divided into 4,830 shares of the par value of \$100.00 per share. The \$483,000.00 of stock

will be issued to the stockholders of each of the applicants as follows:-

To California Consumers Corporation as the sole stockholder of
 Merchants Ice and Cold Storage Company of Los Angeles 1000 shares
 To California Consumers Corporation as the sole stockholder
 of Pasadena Ice Company 375 shares
 To California Consumers Corporation as the sole stockholder
 of Pomona Valley Ice Company 1100 shares
 To California Consumers Corporation as the sole stockholder
 of Los Angeles Ice and Cold Storage Company 2355 shares

The assets and liabilities of applicants as of September 30, 1935
 after audit adjustments are reported in Exhibit No. 1 as follows:-

A S S E T S

<u>FIXED ASSETS</u>		\$855,498.19
Land	\$166,190.70	
Buildings	583,741.62	
Machinery and equipment	100,360.50	
Furniture and fixtures	5,205.37	
<u>CURRENT ASSETS:</u>		352,725.47
Cash	\$144,980.44	
Notes receivable (Subject to Reserve)	155,702.13	
Accounts receivable (Subject to Reserve)	52,042.90	
<u>INTERCOMPANY ACCOUNTS:</u>		160,316.23
Accounts receivable	32,596.29	
Notes receivable	127,700.00	
Interest receivable	19.94	
Prepaid taxes		12,113.26
Total assets and other debits . . .		<u>\$1,380,653.15</u>

L I A B I L I T I E S

Capital stock		\$ 483,000.00
Long term debt		365,000.00
Miscellaneous credit items, -customers billed in advance		8,806.15
<u>Current and accrued liabilities:</u>		35,237.85
Accounts payable	178.05	
Accrued payroll	2,900.46	
Accrued interest on long term debt	5,949.95	
Accrued taxes-Federal	4,376.00	
Accrued taxes-Local and state	18,078.24	
Accrued expenses	3,755.15	
<u>INTERCOMPANY ACCOUNTS:</u>		105,045.17
Accounts payable	104,668.28	
Interest payable	376.89	
<u>RESERVES:</u>		96,820.90
Reserve for depreciation	53,277.89	
Reserve for uncollectible accounts	43,543.01	
<u>SURPLUS:</u>		286,743.08
Surplus-January 1, 1935	168,522.03	
Surplus-Current year (Deficit)	107,339.52	
Surplus-Capital	431,759.40	
Capital asset adjustment account (Deficit)	206,198.83	
Total liabilities and other credits		<u>\$1,380,653.15</u>

The charges to fixed capital accounts do not represent the historical cost or the present replacement cost of the properties. Neither does the reserve for depreciation represent the accrued depreciation of the properties. Ordinarily the Commission predicates an order authorizing the issue of stock upon the cost of the properties less accrued depreciation. Applicants and California Consumers Corporation are now having an appraisal made of their properties. Because of the savings that can be effected through the merger of applicants, they urge the Commission to authorize them to execute the merger agreement so that it may become effective December 31, 1935. In their stipulation applicants have agreed that though the Commission at this time authorizes the execution of the agreement of merger, they will, if requested by the Commission, adjust their records and decrease or increase the amount of stock issued pursuant to said agreement. The stipulation reads in part as follows:-

" MRL STERLING: Mr. Examiner, we are prepared to offer a stipulation on behalf of the applicant companies, that if the Commission should see fit to grant the application as prayed for, in order to permit the corporate proceedings to become effective as of December 31, 1935, the applicant companies will agree to abide by any subsequent determination of the Commission as to the proper valuations of the fixed assets of the applicant companies that should be set up on their books; and, also abide by any determination by the Commission as to the proper capitalization of the surviving company, that will, as a result of the merger, affect all of the assets of the four applicant companies, and will agree to take the proper corporate proceedings, if the decision of the Commission should so require, to amend the articles of the surviving company, and change the par value of the stock, or to cause the stockholder to surrender any number of the shares, in order to reduce the capitalization, or to issue additional stock in case the capitalization should be determined to be too low; in other words, from the standpoint of the applicants, this merger has only one purpose; and that is to effect economies in accounting and taxes. The question as to the valuations of the fixed assets and capitalization of this surviving corporation, are matters on which the applicants have no particular desire or feeling, other than desiring to establish them in accordance with any ruling of the Railroad Commission."

The surviving corporation will continue to charge the same rates which applicants now have on file with the Commission.

O R D E R

The Commission having been asked to enter its order as indicated in the foregoing opinion, a public hearing having been held before Examiner Fankhauser and the Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of \$483,000.00 par value of common capital stock by Los Angeles Cold Storage Company, is reasonably required for the purposes herein stated and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income, and that this application should be granted, as herein provided, therefore,

IT IS HEREBY ORDERED as follows:-

1. Merchants Ice and Cold Storage Company of Los Angeles, Pasadena Ice Company, Pomona Valley Ice Company and Los Angeles Ice and Cold Storage Company may, on or before June 30, 1936, execute an agreement of merger similar in form to that filed in this proceeding as Exhibit "E", and the surviving corporation, Merchants Ice and Cold Storage Company of Los Angeles, whose name will be changed to Los Angeles Cold Storage Company, may issue \$483,000.00 par value of its common capital stock for the purposes stated in said agreement of merger, said issue of stock being authorized subject to the provisions of the stipulation set forth in the foregoing opinion.
2. Merchants Ice and Cold Storage Company of Los Angeles, Pasadena Ice Company, Pomona Valley Ice Company and Los Angeles Ice and Cold Storage Company shall join in common supplement to their tariffs on file with the Railroad Commission in

the name of Merchants Ice and Cold Storage Company of Los Angeles, Pasadena Ice Company, Pomona Valley Ice Company and Los Angeles Ice and Cold Storage Company, said companies on the one hand withdrawing and Los Angeles Cold Storage Company on the other hand adopting and establishing as its own said tariffs and all effective supplements thereto.

3. Within thirty(30) days after the execution of the agreement of merger filed in this proceeding as Exhibit "E", Los Angeles Cold Storage Company shall file with the Railroad Commission a certified copy of such agreement of merger and a report showing the amount of stock issued under the authority herein granted and to whom such stock was issued.
4. Merchants Ice and Cold Storage Company of Los Angeles whose name will be changed to Los Angeles Cold Storage Company, shall on or before March 31, 1936 file with the Commission a copy of the appraisal of its properties, which is now being prepared.

DATED at San Francisco, California, this 27th day of December 1935

Jean A. Kelly

Mr. A. L. ...

James P. Kelly

Commissioners,