

Decision No.

28523

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of the  
CRYSTAL ICE REFRIGERATION COMPANY,  
a California corporation, and Consoli-  
dated Ice and Cold Storage Company, a  
California corporation, for permission  
and an order authorizing applicants to  
deed and encumber real property.

Application No. 20327

Wingert & Bewley, by Thomas W. Bewley,  
for applicants.

BY THE COMMISSION:

## OPINION

This is an application for an order of the Railroad Commission authorizing and approving the action of Consolidated Ice and Cold Storage Company in deeding its real property and assets to Crystal Ice Refrigeration Company, and authorizing Crystal Ice Refrigeration Company to issue its notes in the total principal amount of \$29,500.00 and to execute deeds of trust and chattel mortgages to secure the payment of said notes.

Consolidated Ice and Cold Storage Company was organized under the laws of the State of California, on or about October 14, 1922. According to the application it formerly was engaged in the general ice business in Anaheim and, incidentally thereto, in the public cold storage business. Its reports to the Commission indicate that its public utility operations have constituted but a small part of its total business, the 1934 report, for example, showing storage operating revenues of \$3,290.83 and non-utility operating revenues of \$99,372.90.

The company heretofore had issued and outstanding \$212,500. of stock, all of which was reported owned by Crystal Ice Refrigeration

Company, formerly known as Whittier Ice & Cold Storage Corporation, a corporation engaged in the ice business in Whittier and Fullerton. The application shows that during December, 1934, it was decided to consolidate the two corporations and that accordingly on December 12, 1934 Consolidated Ice and Cold Storage Company executed a grant deed conveying all of its assets to Crystal Ice Refrigeration Company. The consideration for the transfer, it appears from Exhibit "A", was the cancellation of its outstanding stock then held by Crystal Ice Refrigeration Company.

It is alleged in the application that at the time of the transfer of the properties, Consolidated Ice and Cold Storage Company was not operating a general cold storage business and consequently it was not deemed necessary to make application to the Commission, but that subsequently some question has arisen and the request therefore now has been made for the Commission's approval of the transaction.

In this connection it should be observed that financial statements filed by the applicants show cold storage revenues received by Consolidated Ice and Cold Storage Company during the year ended December 31, 1934 and by Crystal Ice Refrigeration Company during 1935 from the properties formerly owned by Consolidated Ice and Cold Storage Company. Further, Consolidated Ice and Cold Storage Company did not, prior to the transaction of December 12, 1934, withdraw from the Commission its tariffs naming rates for storage as a public utility. While the company may not have had any cold storage operations at the exact time it attempted to transfer its properties, it clearly appears to us from the foregoing facts, that application should have been made to this Commission. The order herein, accordingly, will authorize the transfer.

Crystal Ice Refrigeration Company is a corporation organized under the laws of the State of California on or about June 8, 1923.

It has an authorized capital stock of \$500,000.00 (5,000 shares) divided into \$300,000. of common stock and \$200,000. of seven per cent. cumulative preferred stock. Its assets and liabilities as of November 25, 1935, including the acquisitions from Consolidated Ice and Cold Storage Company, are reported as follows:-

#### A S S E T S

Fixed assets .....	\$428,937.46	
Less- Reserve for depreciation.....	<u>216,058.83</u>	\$212,878.63
Investments .....		3,987.00
Current assets:		
Cash .....	\$ 13,234.18	
Notes and accounts receivable-Net .....	20,719.15	
Inventories .....	<u>9,270.42</u>	43,223.75
Deferred charges .....		5,586.56
Goodwill .....		<u>12,961.00</u>
Total assets .....		<u>\$279,616.94</u>

#### L I A B I L I T I E S

Capital stock:		
Common .....	\$144,100.00	
Preferred .....	<u>36,000.00</u>	\$180,100.00
Mortgages payable .....		25,500.00
Contracts payable .....		1,781.44
Street improvement bonds .....		132.84
Current liabilities:		
Accounts payable .....	\$ 5,735.10	
Taxes payable .....	5,039.58	
Dividends payable .....	1,050.00	
Wages payable .....	3,358.75	
Interest accrued .....	<u>446.50</u>	15,629.93
Surplus:		
Surplus from consolidation.....	\$ 2,456.35	
Earned surplus .....	<u>54,016.38</u>	56,472.73
Total liabilities.....		<u>\$ 279,616.94</u>

It is reported that the outstanding stock is owned or controlled by the corporation's five directors, namely, J. A. Cole, D.H. White, Walter Long, C. L. Long and L. C. Montgomery, and that two of said directors have expressed some doubt as to the future of the ice business and have desired to wind up the general business and to retire therefrom but that the other three directors wish to continue the operations. Accordingly, arrangements have been made for the sale

by the two directors, J. A. Cole and D. H. White, to the corporation of their common stock amounting in the aggregate to \$29,500., such sale to be made at the par value thereof, payment to be effected by \$17,500. in cash and \$12,000. in two five year six per cent. notes.

In order to make the initial cash payment the corporation proposes to borrow \$17,500. from the Whittier National Trust and Savings Bank, re-payment to be made in annual installments of \$1,750. commencing December 17, 1936, with interest at the rate of five and one half per cent. per annum.

The payment of the \$17,500. note will be secured by a deed of trust (Exhibit D) covering certain real property in Fullerton, a chattel mortgage (Exhibit E) covering nineteen pieces of auto truck equipment, and a chattel mortgage (also filed as Exhibit E) covering ice making and other equipment, as described in said chattel mortgage. The \$6,000. note to J. A. Cole will be secured by a deed of trust (Exhibit F) covering certain real property in Whittier, while the \$6,000. note to D. H. White will be secured by a deed of trust (Exhibit G) covering certain real property in Anaheim.

At the conclusion of the proposed transaction Crystal Ice Refrigeration Company will have outstanding \$55,000. of mortgage notes and \$150,600. of stock, a total of \$205,600., against fixed assets carried on the balance sheet at a depreciated figure of \$212,878.63. The company's income statement for the period from January 1, 1935 to November 25, 1935, shows gross income of \$125,374.43, operating expenses, taxes and depreciation of \$97,636.77, and net operating profit available for interest and other fixed charges of \$27,737.66. For the calendar year 1934 the two companies report total gross income of \$127,152.67, total operating expenses, taxes and depreciation of \$108,846.86, and total net operating profit available for interest and

other fixed charges of \$18,305.81.

While we as a rule do not favor the issue of notes to finance the purchase of stock, in the instant case the facts warrant such issue. The issue of the notes will not result in the creation of an unduly heavy indebtedness in relation to the cost of the properties, nor in relation to past earnings.

O R D E R

The above entitled application having been filed with the Railroad Commission, and the Commission being of the opinion that this is not a matter in which a public hearing is necessary, that the application should be granted, as herein provided, and that the money, property or labor to be procured or paid for through the issue of the notes herein authorized is reasonably required for the purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expense or to income,

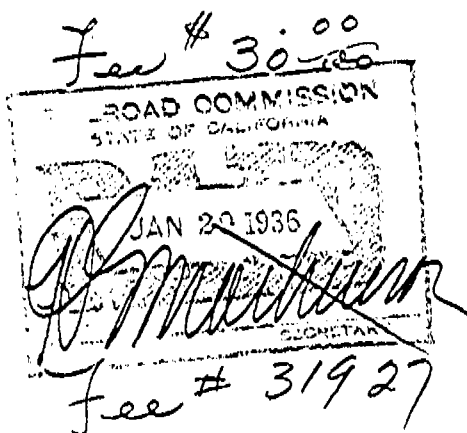
IT IS HEREBY ORDERED that Consolidated Ice and Cold Storage Company be, and it hereby is, authorized to transfer its properties and assets to Crystal Ice Refrigeration Company.

IT IS HEREBY FURTHER ORDERED that Crystal Ice Refrigeration Company be, and it hereby is, authorized to execute deeds of trust substantially in the same form as those filed as Exhibits D, F and G, and chattel mortgages substantially in the same form as those filed as Exhibit E, provided that the authority thus granted to execute deeds of trust and chattel mortgages is for the purpose of this proceeding only and is granted only insofar as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said deeds of trust and chattel mortgages as to such other legal requirements to which they may be subject.

IT IS HEREBY FURTHER ORDERED that Crystal Ice Refrigeration Company be, and it hereby is, authorized to issue its promissory note in the principal amount of \$17,500. payable in annual installments of \$1,750.00 with interest at the rate of five and one-half per cent. per annum, and its two promissory notes each in the principal amount of \$6,000.00 payable on or before five years after date of issue, with interest at the rate of six per cent. per annum, for the purpose of financing the cost of re-acquiring \$29,500.00 par value of its common capital stock, provided that the company shall keep such record of the issue of the notes herein authorized and of the disposition of the proceeds as will enable it within thirty(30) days thereafter to file a report such as is required by the Railroad Commission's General Order No. 24, which order insofar as applicable, is made a part of this order.

IT IS HEREBY FURTHER ORDERED that the authority herein granted will become effective when Crystal Ice Refrigeration Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Thirty(\$30.) Dollars.

DATED at San Francisco, California, this 27th day of January, 1936.



M. B. Lavin  
Leon C. Whitely  
W. A. Linn  
Walter J. Linn  
Grace R. Linn  
Commissioners.