

Decision No. 23873

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of
LOS ANGELES COMPRESS & WAREHOUSE CO.
and WESTERN COMPRESS COMPANY for an
order authorizing the merger of said
Los Angeles Compress & Warehouse Co.
with and into said Western Compress
Company and the application of said
Western Compress Company for an order
authorizing the issuance by it of the
stock necessary to accomplish such
merger.

ORIGINAL

Application No. 21742

Newlin & Ashburn, for applicants.

BY THE COMMISSION:

O P I N I O N

In this application the Commission is asked to enter its order authorizing Los Angeles Compress & Warehouse Co. and Western Compress Company to merge into Western Compress Company as the surviving corporation, and authorizing Western Compress Company to issue at par 5,857 shares of its common capital stock of the aggregate par value of \$585,700.00 in exchange for stock of like amount of Los Angeles Compress & Warehouse Co. now outstanding.

Los Angeles Compress & Warehouse Co. is a corporation organized on or about July 6, 1927 under the laws of the State of California and engaged in the operation of cotton compresses and warehouses at Los Angeles Harbor and at Fresno. For the year ending December 31, 1937 it reports its operating revenues from its Los Angeles operations at \$306,224.19 and from its Fresno operations at \$126,786.31, a total of \$433,010.50, and its operating and other expenses at \$321,263.49, leaving a profit for the year of \$111,747.01.

Western Compress Company is a corporation organized on or about July 15, 1937 under the laws of the State of California. It appears that the corporation was organized to engage in the cotton compress and

warehouse business in the State of Arizona but that subsequently, during September, 1937, it extended its operations to California. At this time it is operating cotton compresses and warehouses at Phoenix, Arizona, and at Fresno, California. During the period from July 16, 1937 to December 31, 1937 its operating revenues from its Phoenix operations amounted to \$92,578.71 and from its Fresno operations to \$66,425.96, a total of \$159,004.67, and its operating and other expenses to \$104,999.94, leaving a profit for the period of \$54,004.73.

The assets and liabilities of the two companies as of December 31, 1937 are reported as follows:-

<u>ASSETS</u>	Western Compress Company	Los Angeles Compress & Warehouse Co.	Total
Fixed assets:			
Land	\$ 16,521.00	\$-----	\$ 16,521.00
Buildings	208,579.39	830,473.92	1,039,053.31
Machinery & equipment . .	39,457.38	120,276.52	159,733.90
Fences & ground improvements	3,687.45	-	3,687.45
Furniture & fixtures	1,115.92	3,127.26	4,243.18
Automobiles	758.55	13,575.54	14,334.09
Spur track	6,843.85	-	6,843.85
Water system	26,864.87	-	26,864.87
Undistributed new construc- tion	299,507.00	-	299,507.00
Total fixed assets.....	<u>\$603,333.41</u>	<u>\$ 967,453.24</u>	<u>\$1,570,786.65</u>
Current assets:			
Cash	\$ 20,398.99	\$ 37,409.28	\$ 57,808.27
Accounts receivable	76,261.31	22,187.47	98,448.78
Accrued storage	35,819.70	64,447.64	100,267.34
Inventory	22,628.90	18,491.23	41,120.13
Total current assets.....	<u>\$ 155,108.90</u>	<u>\$ 142,535.62</u>	<u>\$ 297,644.52</u>
Special deposits	\$ 1,379.10	\$ 594.37	\$ 2,173.47
Deferred debits:			
Prepayments	\$ 5,422.78	\$ 5,638.10	\$ 11,060.88
Organization expenses . .	455.48	-	455.48
Total deferred debits	<u>\$ 5,878.26</u>	<u>\$ 5,638.10</u>	<u>\$ 11,516.36</u>
Total assets.....	<u>\$765,901.67</u>	<u>\$1,116,221.33</u>	<u>\$1,882,123.00</u>
 LIABILITIES			
Current liabilities:			
Accounts payable.	\$ 89,590.82	\$ 11,600.99	\$ 101,191.81
Notes payable	475,000.00	-	475,000.00
Accruals	22,306.12	40,291.81	62,597.93
Total current liabilities	<u>\$586,896.94</u>	<u>\$ 51,892.80</u>	<u>\$ 638,789.74</u>
Reserve for depreciation	-	387,440.05	387,440.05
Net worth:			
Common stock	\$125,000.00	\$ 585,700.00	\$ 710,700.00
Surplus	54,004.73	91,188.48	145,193.21
Total net worth	<u>\$179,004.73</u>	<u>\$ 676,888.48</u>	<u>\$ 855,893.21</u>
Total liabilities....	<u>\$765,901.67</u>	<u>\$1,116,221.33</u>	<u>\$1,882,123.00</u>

Los Angeles Compress & Warehouse Co. has an authorized capital stock of \$750,000.00, divided into 7500 shares of the par value of \$100. each, all common. Its outstanding stock, \$585,700.00 par value, was issued at par, pursuant to authority granted by this Commission by Decision No. 18616, dated July 13, 1927, and decisions supplemental thereto, in order to finance the cost of its properties and to provide working capital.

Western Compress Company has an authorized capital stock of \$1,500,000.00 divided into 15,000 shares of the par value of \$100. each, all common. Its outstanding stock, \$125,000.00 par value, was issued at par pursuant to authority granted by the Commissioner of Corporations of the State of California by his permit dated July 23, 1937. In this connection it is recited in this application that the permit was obtained from the Commissioner of Corporations, rather than from this Commission, for the reason that at the time Western Compress Company owned no property in this state and did not then engage in or definitely know when, if at all, it would engage in business as a public utility in this state. It is alleged that all the proceeds received through the issue of said \$125,000.00 of stock were used for the purposes of paying organization expenses, of purchasing properties located in Arizona and of providing working capital. As of December 31, 1937 the company reports its investment in its Arizona properties at \$303,828.41 and in its Fresno properties at \$299,507.00.

It is reported that the management, shareholders and patrons of Western Compress Company are in large part the same as those of Los Angeles Compress & Warehouse Co. and that those in control of the affairs of the two corporations have concluded that it would be advisable to merge the ownership and operations of the business and properties. It is alleged that this action will increase the efficiency of the operations and will result in certain economies. It is stated further that it will make possible a contemplated revision of the present tariff of Los Angeles Compress & Warehouse Co. so as to provide for the

second handling at the compress and warehouse at Los Angeles Harbor or cotton previously compressed at one of the interior plants for a charge of 15¢ a bale instead of 30¢ a bale, as now provided in said tariff.

A copy of the agreement of merger by and between the two companies, dated January 31, 1938, is attached to the application and marked "Exhibit A". It is provided that upon the agreement becoming effective the holders of shares of stock of Los Angeles Compress & Warehouse Co. shall surrender such shares for cancellation and receive in exchange, at par for par, shares of stock of Western Compress Company. This will call for the issue by Western Compress Company of \$585,700.00 par value of its stock.

O R D E R

Western Compress Company and Los Angeles Compress & Warehouse Co. having applied to the Railroad Commission for an order authorizing the merger of Los Angeles Compress & Warehouse Co. with and into Western Compress Company, and authorizing the issue by Western Compress Company of 5,857 shares of its capital stock of the aggregate par value of \$585,700.00, 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 said shares or stock 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, therefore,

IT IS HEREBY ORDERED that Western Compress Company and Los Angeles Compress & Warehouse Co. be, and they hereby are authorized to execute, after the effective date of this order, an agreement of merger similar in form to the agreement of merger filed in this proceeding as "Exhibit A."

IT IS HEREBY FURTHER ORDERED that Western Compress Company be, and it hereby is authorized to issue, after the effective date of this order and prior to April 30, 1938, not exceeding 5857 shares of its capital stock of the aggregate par value of \$585,700.00 in exchange, at par for par, for the shares of stock of Los Angeles Compress & Warehouse Co. now outstanding.

IT IS HEREBY FURTHER ORDERED that within thirty(30) days after the execution of the aforesaid agreement of merger and the issue of stock, Western Compress Company shall file with the Commission a certified copy of the agreement as executed, and a report showing the issue of stock under the authority herein granted.

IT IS HEREBY FURTHER ORDERED that upon the execution of the aforesaid agreement Western Compress Company shall by supplement cancel the tariffs now in effect under which Los Angeles Compress & Warehouse Co. now conducts its operations at Los Angeles Harbor and at Fresno and shall file with the Commission, in duplicate, a supplement to its own tariff now on file with this Commission so as to provide that the rates, rules and regulations shown therein now applicable at Fresno shall ^{also} apply at Los Angeles Harbor.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall become effective fifteen(15) days after the date hereof.

DATED at San Francisco, California, this 7th day of March, 1938.

Walter H. ...
Leon ...
Frank ...
Robert ...
Chas. ...
Commissioners.