

CONFIDENTIAL

Decision No. 42229

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
E. J. EVANS, doing business as WEST )  
LOS ANGELES MILLING CO., for an Order )  
Authorizing the Transfer of the Fran- )  
chise and Certain Assets to WEST LOS )  
ANGELES MILLING CO., a Corporation; )  
and )

Application  
No. 29742

In the Matter of the Application of )  
WEST LOS ANGELES MILLING CO., a Cor- )  
poration, for an Order Authorizing )  
the Issue of Shares. )  
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C. L. McGaughey, for Applicants.

O P I N I O N

E. J. Evans, doing business as West Los Angeles Milling Co., asks permission to transfer, convey and assign to West Los Angeles Milling Co., a corporation, the assets referred to in Exhibits "A" and "B" on file in this proceeding. The corporation asks permission to issue to E. J. Evans 2,500 shares of its capital stock of the par value of \$100 a share, in consideration for said assets.

E. J. Evans is engaged in the business of buying, selling, processing, packaging and warehousing of agricultural and food products, particularly dry beans, in the City of Los Angeles. Up to the end of 1945 his principal operations consisted of trading, primarily in beans, and in warehousing and cleaning beans. In 1946 he added the packaging of beans to his business activity. The packaging business has resulted in a large increase in his operating revenues. The following statement

shows his operating revenues and expenses from 1945 to August 31, 1948:

	1945	1946	1947	8 Months Jan. -Aug. 1948
<u>Income</u>				
Sales-Merchandise	\$968,010	\$1,957,194	\$2,763,589	\$2,222,299
Cost of Sales:				
Merchandise	927,304	1,771,054	2,546,346	2,017,882
Packaging Cost:				
Supplies	-	45,117	57,309	60,009
Labor	-	7,137	14,939	22,704
Total Cost of Sales	\$927,304	\$1,823,308	\$2,618,594	\$2,100,595
Gross Profit on Sales	40,706	133,886	144,995	121,704
Warehouse Revenue	46,647	38,201	32,506	21,913
Gross Operating Profit	\$ 87,353	\$ 172,087	\$ 177,501	\$ 143,617
<u>Expense</u>				
Warehouse Labor and Expenses	\$ 37,066	\$ 44,618	\$ 43,182	\$ 26,913
Sales & Deliveries	18,183	34,976	36,437	31,999
Administrative & General	8,044	24,314	30,974	26,300
Depreciation	1,540	2,581	2,396	1,639
Total Expenses	\$ 64,833	\$ 106,491	\$ 112,990	\$ 86,852
Net Operating Profit	\$ 22,520	\$ 65,596	\$ 64,511	\$ 56,765

The assets which E. J. Evans asks permission to transfer, convey and assign to the corporation are described as follows:

(a) Land and buildings constituting the place of business of West Los Angeles Milling Co., at 1815 and 1844 Pontius Avenue, Los Angeles 25, California and described as follows:

The southeasterly 43.66 feet of lot 3 and all of lots 4, 5, 6, 7 and 8 of the Wendell Tract, in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 5, Page 140 of Maps, in the office of the County Recorder of said County. ALSO the northwesterly ninety feet of the southeasterly one hundred ninety feet of lot 7 in block 1 of the Clarence Tract, in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 1, Page 42 of Maps, in the office of the County Recorder of said County.

Lot 4 of the Jamison Tract, in the City and County of Los Angeles, State of California, as per map recorded in Book 6, Page 42 of Maps, in the office of the County Recorder.

All of the foregoing subject to 1948-49 taxes and conditions, restrictions, reservations, easements and rights of way of record.

(b) All physical property at said address including machinery equipment, delivery equipment, office equipment, packaging machinery equipment.

(c) All intangibles of said business including good will, trade marks, trade names, brands, labels, copyrights, etc.

Upon the acquisition of said assets by West Los Angeles Milling Co., a corporation, it will continue the operation of the business including the warehouse business in the same manner as heretofore conducted by E. J. Evans. The same service as provided by him will be available to the public.

The West Los Angeles Milling Co. plant is located near the intersection of Sepulveda and Santa Monica Boulevard in West Los Angeles. The parcels of land have an area of 47,704 square feet. Seven buildings are located on the premises. They are as follows:

Description	Dimensions	Year Built	Area Sq. Ft.
#1 Packaging Building - 1 story and mezzanine, wood frame construction	60'8" x 200'6"	1912	12,802
#2 Mill Building - 3 stories metal clad wood frame construction	39'5" x 18'2" to 32'2" irregular	1943	2,746
#3 Packing Supplies Warehouse - 2 stories wood frame con- struction	60'8" x 60'0"	1918	7,280
#4 Receiving Warehouse and Office - 1 story brick stucco and wood frame construction	34'4" x 60'0"	1918	2,060
#5 Warehouse B - 1 story metal clad wood frame construction	49'2" x 108'4"	1937	5,326
#6 Warehouse A - 1 story metal clad wood frame construction	70'0" x 95'0"	1934	6,650
#7 Office - 1 story brick and stucco construction	22'0" x 16'2" and 2'0" x 6'0"	1932	<u>368</u>
	Total		<u>37,232</u>

The American Appraisal Company estimates the current market value of the land and the cost of reproduction less depreciation of the buildings and equipment as follows:

Land	\$ 92,500.00
Railroad sidings	2,220.00
Buildings	70,706.35
Machinery and equipment	33,708.47
Office furniture and fixtures	2,232.15
Automobiles and trucks	<u>13,080.00</u>
Total	<u>\$214,506.97</u>

The American Appraisal Company further assigns a value of \$35,000 to the intangible elements of the business (good will, trade marks and trade names).

E. J. Evans has caused applicant corporation to be organized. The record shows that George Croake, formerly a vice president of Rosenberg Bros. and for many years in charge of the bean department of that corporation, desires to associate himself with Mr. Evans in the business conducted by the latter. Upon the transfer of the properties to the corporation it is contemplated that Mr. Croake will acquire from Mr. Evans forty percent of the corporation's stock. The record shows that he is buying this stock in his individual capacity, that he intends to devote all of his time to the business of the corporation, and that he and Mr. Evans have, for the purpose of the transfer of the stock, agreed that the assets and business conducted by Mr. Evans under the name of West Los Angeles Milling Co. have a value of \$250,000. The testimony shows that this value was agreed upon prior to the employment of the American Appraisal Company to make an appraisal of the properties, and that it was not advised of the transaction between E. J. Evans and George Croake.

The testimony shows that at this time it is not practical to segregate the warehouse business from the other business conducted by E. J. Evans or which will be conducted by West Los Angeles Milling Co., a corporation. However, there has been filed in this proceeding by Applicants a stipulation to the effect that West Los Angeles Milling Co., a corporation, its successors and assigns, will never urge the Public Utilities Commission or other public body having jurisdiction to include in a rate base, when called upon to fix rates, such amount of the proceeds obtained from the sale of the stock as may be expended by the corporation to acquire non-public utility property or business.

The record in this case warrants the Commission to depart from its usual practice of relating a stock issue to the original cost of properties less accrued depreciation. The seller's warehouse business represents only slightly more than one percent of his gross revenue. It is incidental to his merchandising business, which over the years has grown to a gross of about \$3,000,000. He will retain a majority stock interest in the corporation. Associated with him in the business will be George Croake, a man engaged for many years in the same kind of business as seller and familiar with seller's business activities. The order herein will authorize West Los Angeles Milling Co., a corporation, to issue said \$250,000 of stock.

No one appeared at the hearing to protest the granting of this application.

O R D E R

The Commission having considered the testimony submitted at the hearing had on this application, and it being of the opinion that the money, property or labor to be procured or paid for through the issue of \$250,000 par value of stock by West Los Angeles Milling Co., a corporation, is reasonably required by it for the purposes herein stated, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted, subject to the provisions of this order; therefore,

IT IS HEREBY ORDERED as follows:

1. E. J. Evans may, on or before December 31, 1948, transfer, convey and assign to West Los Angeles Milling Co., a corporation, the assets and business referred to in Exhibits "A" and "B" on file in this application, and upon the terms and conditions set forth in said Exhibits "A" and "B".
2. West Los Angeles Milling Co., a corporation, may, on or before December 31, 1948, issue, sell and deliver, in consideration for said assets and business, at par, 2,500 shares of its capital stock of the par value of \$100 per share.
3. E. J. Evans, doing business as West Los Angeles Milling Co., and West Los Angeles Milling Co., a corporation, shall on not less than five (5) days' notice to the Commission and to the public, supplement or reissue the tariffs on file with the Commission insofar as they name rates, rules and regulations governing warehouse operations of said E. J. Evans to show that he has withdrawn and canceled and West Los Angeles Milling Co., a

corporation, has concurrently adopted or established as its own said rates, rules and regulations; and that the tariff filings made pursuant to this order shall, in all other respects, comply with the regulations governing the filing of warehouse tariffs set forth in the Commission's General Order No. 61.

4. The action taken herein shall not be construed to be a finding of the value of the properties herein authorized to be transferred.

5. Within thirty (30) days after the transfer, assignment and conveyance of said assets and business to West Los Angeles Milling Co., a corporation, said West Los Angeles Milling Co., a corporation, shall file with the Commission a statement showing the number of shares of stock issued under the authority herein granted and to whom said shares were issued.

6. The authority herein granted is effective upon the date hereof.

Dated at San Francisco, California, this 16<sup>th</sup> day of November, 1948.

Joseph P. Langel  
Harold P. Kula  
Samuel P. Potter  
Commissioners