

Decision No. 42952

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of
FREEZE-IT CORPORATION,
for an Order Authorizing Issue of
Stocks

Application
No. 30275
(1st Supplemental)

Walter G. Danielson by H. Spencer St. Clair for Applicant

O P I N I O N

In this application as amended by the 1st Supplemental Application, Freeze-It Corporation asks permission to issue to its present stockholders 1,150 shares of Class B stock with a par value of \$100 per share in exchange for 1,500 shares of Class B stock with a par value of \$10 per share now outstanding.

Freeze-It Corporation, hereinafter sometimes referred to as Applicant, was organized under the laws of California in 1941. Since its organization, Applicant has been conducting at 10 West Magnolia Boulevard, Burbank, California a frozen food locker business. Incidental to this business it sells and processes meat, fish and vegetables. On May 3, 1949 Applicant filed with the Commission its cold storage warehouse tariff which became effective May 6, 1949. The warehouse business is being conducted under the fictitious name of Burbank Cold Storage Co.

Applicant proposes to amend its articles of incorporation, so as to provide for an authorized stock issue of 4,000 shares consisting of 2,000 shares of Class A stock, each share having a par value of \$100, and 2,000 shares of Class B stock, each share having a par value of \$100. The amended articles will provide that the holders of Class A and Class B shares issued and outstanding shall have and possess the rights to notices of meetings of shareholders and full voting rights and powers. The holders of A shares shall

be entitled to cumulative dividends at the rate of 6% per annum on the par value of the shares. A copy of the proposed amendment is attached to applicant's First Supplemental Application.

For a number of years Applicant has had under consideration the construction of a cold storage warehouse building on land adjacent to its locker plant. On February 13, 1948 Applicant received from Massachusetts Mutual Life Insurance Company of Springfield, Massachusetts a commitment wherein the Insurance Company agreed to loan Applicant \$550,000 to pay the cost of its cold storage warehouse building and equipment. On July 21, 1948 an escrow was opened between Applicant and the Insurance Company at the California Bank, 6th and Grand Branch, Los Angeles, California. The escrow provides that, upon the completion of the warehouse, the Insurance Company will deposit in escrow the sum of \$550,000. A deed of trust securing the payment of the \$550,000 was recorded on July 13, 1948. The warehouse building has been completed and the necessary equipment installed at an aggregate cost of \$546,792, segregated as follows:

Warehouse Building	\$301,792
Insulation	160,000
Refrigeration Machinery & Equipment	<u>85,000</u>
Total	\$546,792

The warehouse has a capacity of 794,000 cubic feet represented by 379,000 cubic feet of cooler storage space and 415,000 of freezer storage space. Applicant intends to use about 331,000 cubic feet in its public utility warehouse business. It proposes to lease on a space rental basis about 455,000 cubic feet. On April 20, 1948 Applicant filed notice of the completion of the warehouse, and the money loaned by the Insurance Company is now available to Applicant.

To aid it in negotiating a loan to construct its warehouse building and acquire and install equipment, Applicant in 1946

employed the American Appraisal Company to appraise its then existing properties. The Appraisal Company found the sound value of Applicant's properties as of August 29, 1946 to be \$133,757.78, segregated as follows:

Land	\$ 63,500.00
Building	60,036.75
Machinery and Equipment	8,960.82
Office Furniture and Fixtures	<u>1,260.21</u>
Total	\$133,757.78

The depreciated cost of Applicant's properties, exclusive of the new warehouse building and equipment, as of December 31, 1948 is reported at \$40,228.

To pay expenses incidental to the construction of the new warehouse building and facilities, Applicant borrowed \$35,000 from Dr. Edward Robbins and finds it necessary to raise an additional \$40,850 for that purpose. In its Second Supplemental Application on file in this proceeding, Applicant asks permission to issue \$35,000 par value of 6% Class A stock to pay the indebtedness due Dr. Edward Robbins and to issue and sell 1,000 shares of said Class A stock and 100 shares of Class B stock to obtain funds to pay the \$40,850 and provide itself with working capital. The issue and sale of said shares of stock will be considered in a supplemental order.

Applicant is of the opinion and the testimony shows that Applicant's records do not reflect its stockholders' equity in its properties. It, therefore, requests permission to issue 1,150 of its new Class B shares of stock in exchange for 1,500 Class B shares of stock now outstanding, its surplus arising from the appraisal of its fixed properties in the amount of \$95,583.77 and earned surplus in the amount of \$4,416.23.

We wish to place Applicant upon notice that in the event the reasonableness of its warehouse tariffs become an issue before the Commission, the Commission will consider only the investment in Applicant's properties at the time used in rendering public utility warehouse service. Applicant will be required to file with the Commission annual reports covering both its utility and non-utility operations.

O R D E R

A public hearing having been held on this application before Examiner Fankhauser, the Commission having considered the testimony submitted at such hearing and it being of the opinion that the money, property or labor to be procured or paid for by Freeze-It Corporation through the issue of 1,150^{shares} of its Class B stock with a par value of \$100 per share, in exchange for 1,500 shares of Class B stock now outstanding is reasonably required of applicant for the purpose herein stated, that such purpose is not in whole or in part reasonably chargeable to operating expenses or to income, therefore:

IT IS HEREBY ORDERED that Freeze-It Corporation may issue after the effective date hereof and on or before July 31, 1949, 1,150 shares of its Class B stock with a par value of \$100 per share in exchange for 1,500 shares Class B stock with a par value of \$10 per share.

IT IS HEREBY FURTHER ORDERED that the authority herein granted will become effective when Freeze-It Corporation has filed with the Commission a certified copy of an amendment to its Articles of Incorporation in, or substantially in the form attached to Applicant's First Supplemental Application.

IT IS HEREBY FURTHER ORDERED that Freeze-It Corporation shall, within 30 days after the issue of said shares of stock or any part thereof, file with the Commission a statement showing the number of shares of stock issued under the authority herein granted, the names of the persons to whom said shares were issued, and the consideration received for said shares.

Dated at Los Angeles, California, this 1st day of
June, 1949.

R. J. Anderson

W. A. Russell

Harold P. Hills

Lawrence P. Potts
Commissioners.

CERTIFIED AS A TRUE COPY

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Secretary, Public Utilities
Commission of the State of
California.