

ORIGINAL

Decision No. 49058

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

| | | |
|---|---|-------------|
| In the Matter of the Application of |) | |
| CALIFORNIA COLD STORAGE & DISTRIBUTING CO., | : | |
| a corporation, to issue Promissory Note |) | Application |
| for \$1,000,000 and to secure the payment | : | No. 34660 |
| of the same. |) | |
| ----- | : | |

O P I N I O N

This is an application for an order of the Commission authorizing California Cold Storage & Distributing Co. to issue a promissory note in the principal amount of \$1,000,000 secured by a deed of trust, a mortgage of chattels, a pledge agreement and an assignment of leases.

Applicant is a California corporation engaged in the cold storage business and in nonutility activities in southern California. In addition, it owns 4,013 shares of the outstanding 5,000 shares of stock of Southwestern Ice and Cold Storage Company, an Arizona corporation conducting nonutility operations in that state. A summary of the revenues of the two corporations for the first six months of 1953 is as follows:

| | <u>Calif. Cold Storage & Distributing Co.</u> | <u>Southwestern Ice and Cold Storage Company</u> |
|----------------|---|--|
| Revenues - | | |
| Cold storage | \$ 196,504.92 | \$ - |
| Ice | 18,845.81 | 566,470.64 |
| Beverage dept. | <u>5,541,583.74</u> | <u>432,899.87</u> |
| Total | 5,756,934.47 | 999,370.51 |
| Net profit | <u>\$ 167,988.46</u> | <u>\$ 66,160.32</u> |

Attached to the application as Exhibit G is a balance sheet showing applicant's assets, liabilities and capital as of June 30, 1953, as follows:

Assets

| | | |
|---|-------------------|-----------------------|
| Current assets:- | | |
| Cash | \$455,801.59 | |
| Notes and accounts receivable | 720,321.01 | |
| Inventories | <u>300,636.45</u> | |
| Total current assets | | \$1,476,759.05 |
| Fixed assets, less depreciation reserve | | 1,308,310.75 |
| Long-term notes receivable | | 54,354.69 |
| Stock of other corporation | | 551,825.62 |
| Deferred charges | | <u>79,217.81</u> |
| | Total | <u>\$3,470,467.92</u> |

Liabilities and Capital

| | |
|---------------------------|-----------------------|
| Current liabilities | \$ 710,008.48 |
| Long-term note payable | 387,500.00 |
| Reserve for taxes | 167,988.46 |
| Capital stock and surplus | <u>2,204,970.98</u> |
| | Total |
| | <u>\$3,470,467.92</u> |

The reported investment of \$551,825.62 in stock of other corporation, as set forth in the preceding balance sheet, represents the price paid by applicant for the 4,013 shares of stock of Southwestern Ice and Cold Storage Company it now holds, representing an average price of approximately \$137.50.

Applicant now reports that it desires to acquire the remaining 987 shares of Southwestern Ice and Cold Storage Company's stock, to refinance outstanding indebtedness and to obtain additional working capital, and that it requires \$1,000,000 for these purposes, the amount being segregated as follows:

| | |
|---|--------------------|
| To pay presently outstanding note | \$ 387,500 |
| To make advances to subsidiary company to refinance indebtedness | 350,000 |
| To acquire 987 shares of subsidiary stock at \$175 | 172,725 |
| To pay costs and expenses of the loan and to increase working capital | <u>89,775</u> |
| | Total |
| | <u>\$1,000,000</u> |

The presently outstanding note for \$387,500 was issued pursuant to authorization granted by the Commission by Decision

No. 46664, dated January 22, 1952. The funds to be advanced to the subsidiary corporation will be used by it to pay outstanding notes representing indebtedness incurred in connection with the purchase of ice manufacturing plant and ice storage facilities in Yuma. As to the purchase of the remaining 987 shares of stock of the subsidiary corporation, applicant reports that while it does not have firm commitments for the acquisition of such shares it believes that it can acquire them over a period of time at a price of approximately \$175 a share. In support of the request to use proceeds for working capital, applicant submits that with the increase of its business it is required to carry substantially larger inventories than in the past.

It appears that applicant, in order to obtain the funds it requires, has made, or is making, arrangements to borrow \$1,000,000 from The Connecticut Mutual Life Insurance Company, such borrowing to be represented by a promissory note payable in quarterly installments of \$16,470 beginning February 1, 1954, and continuing to and including August 1, 1968, with the balance being payable on November 1, 1968, together with interest at the rate of 4-3/4% per annum. The payment of the note will be secured by a deed of trust, by a mortgage of chattels, by an agreement to pledge the shares of stock of Southwestern Ice and Cold Storage Company, and by an assignment of certain leases now in effect between applicant and tenants of portions of its improved real property not needed in connection with its business. Copies of the several instruments have been filed in this proceeding.

From exhibits filed in this proceeding it appears that the investment in the fixed assets of applicant amounted to \$1,308,310.75 as of June 30, 1953, and in the fixed assets of Southwestern Ice and

Cold Storage Company to \$1,221,930.22, and that upon the conclusion of the financing now proposed, the \$1,000,000 will constitute the only outstanding indebtedness aside from current liabilities. From a review of this matter we are of the opinion that the assets and earnings should be ample to support the proposed note issue, that the money, property or labor to be procured or paid for by the issue of the note herein authorized is reasonably required by applicant for the purposes specified herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income. Accordingly, we will enter an order granting applicant's request.

ORDER

The Commission having considered the above entitled matter, and being of the opinion that a public hearing is not necessary and that the application should be granted, as herein provided; therefore,

IT IS HEREBY ORDERED as follows:

1. California Cold Storage & Distributing Co. may issue a promissory note in the principal amount of not exceeding \$1,000,000, on or before December 31, 1953, for the purposes set forth in this proceeding, and may execute a deed of trust, a mortgage of chattels, a pledge agreement and an assignment of leases, in, or substantially in, the same form as those filed in this proceeding as Exhibit A, Exhibit B, Exhibit C, Exhibit D and Exhibit E.

2. Applicant shall file with the Commission monthly reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

3. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$613.00.

Dated at San Francisco, California, this 15th day of September, 1953.

A. J. Indurain
President

Justin F. Greiner
Harold P. Kuls

Francis J. Potter
John E. ...
Commissioners

