

Decision No. 49134

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 MERCHANTS REFRIGERATING COMPANY  
 OF CALIFORNIA, a corporation,  
 for an order authorizing it (1) to  
 issue shares of its capital stock,  
 (2) to issue its promissory note or  
 notes maturing more than 12 months  
 after the date thereof and (3) to  
 purchase all the outstanding stock of  
 Modesto Refrigerating Co., a California  
 public utility.

Application  
No. 34737

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 In the Matter of the Application of  
 MERCHANTS REFRIGERATING COMPANY  
 OF CALIFORNIA, a corporation,  
 for an order authorizing (1) the  
 dissolution of Modesto Refrigerating  
 Co., a California public utility,  
 and the distribution to Merchants  
 Refrigerating Company of California  
 of the refrigerated warehouse business  
 and properties now owned and operated  
 by said Modesto Refrigerating Co.,  
 and (2) the assumption by Merchants  
 Refrigerating Company of California  
 of the indebtedness of said Modesto  
 Refrigerating Co.

Application  
No. 34744

OPINION

In these proceedings the Commission is asked to make its orders authorizing Merchants Refrigerating Company of California to issue \$175,000 par value of stock and a promissory note, or notes, in the principal amount of \$1,500,000, to assume indebtedness and to acquire the shares of stock and property of Modesto Refrigerating Co.

Merchants Refrigerating Company of California is a corporation organized under the laws of this state on or about August 11, 1953, with an authorized capital stock of 2,000 shares of the par value of \$100 each. It appears that it was organized by Merchants

Refrigerating Company, a foreign corporation with executive offices in New York City and with refrigerating plants in New York, New Jersey, Missouri and Minnesota, for the purpose of acquiring and operating the cold storage business and related activities in California of Modesto Refrigerating Co.<sup>1/</sup>

Modesto Refrigerating Co. is a California corporation which is, and for many years has been, engaged in storage and refrigerating operations in Modesto. The volume of its business is indicated in the following tabulation:

	<u>1950</u>	<u>1951</u>	<u>1952</u>
Total revenues	\$868,774	\$1,031,498	\$1,077,770
Net profit	372,444	378,526	352,571

The assets, liabilities and net worth of the Modesto company as of August 31, 1953, are reported as follows:

<u>Assets</u>		
Current assets -		
Cash	\$ 251,091	
U. S. savings bonds	100,000	
Notes and accounts receivable	<u>198,276</u>	
Total current assets		\$ 549,367
Fixed assets less reserve		1,553,389
Other investments		158,402
Deferred charges		<u>19,323</u>
Total		<u>\$2,280,481</u>
<u>Liabilities and Net Worth</u>		
Current liabilities		
Long-term debt		\$ 117,491
Net worth -		893,767
Capital stock	\$ 14,900	
Surplus	<u>1,254,323</u>	
Total net worth		<u>1,269,223</u>
Total		<u>\$2,280,481</u>

<sup>1/</sup> In Exhibit F attached to Application No. 34737 Merchants Refrigerating Company reported its investment in its assets less its current liabilities at \$10,010,025 as of the end of 1952, and its revenues from operating sources for the year 1952 in the amount of \$7,528,732 with net profit for the year of \$457,589.

The outstanding stock consisted of 149 shares of the par value of \$100 each which were held at the end of 1952 by the following:

John B. Beard	14.9 shares	Walter F. Beard	5.96 shares
Ethel G. Hoover	14.9 "	Thomas K. Beard	3.725 "
Ruth B. McDowell	14.9 "	Beatrice L. Beard	3.725 "
Edna B. Curtner	14.9 "	Betty A. Noisat	3.725 "
Esther A. Brack	14.9 "	Barbara J. Ruddy	3.725 "
W. Paul Beard	14.9 "	Franklin Beard	2.98 "
Cora A. Beard	14.9 "	Kennan Beard	2.98 "
Herbert L. Beard	7.45 "	Elizabeth P. Whelan	2.98 "
Minnerva E. Beard	7.45 "		
		Total	<u>149.00</u> shares

The applications show that the holders of the outstanding shares of stock of the Modesto company have made an offer to sell their shares to Merchants Refrigerating Company for the sum of \$1,750,000 of which \$1,575,000 is to be paid in cash and the balance of \$175,000 is to be represented by 9,722 shares of the Class B stock of Merchants Refrigerating Company, taken at a valuation of \$18 a share. Merchants Refrigerating Company proposes to assign said offer to Merchants Refrigerating Company of California, the domestic corporation it has caused to be organized to operate in this state, and it proposes to turn over to such corporation 9,722 shares of its Class B stock and \$75,000 in cash in exchange for \$175,000 par value of stock of the California company. The California company thereupon proposes to deliver the shares of the parent company's stock and cash it thus will receive, together with \$1,500,000 which it intends to obtain by means of temporary borrowings, to the shareholders of Modesto Refrigerating Co. in order to complete the acquisition of said shares.

Merchants Refrigerating Company of California desires to engage in the refrigerated warehouse business in Modesto. The shareholders of the present company, however, have refused to sell the properties and assets so that the acquisition by the new company of the shares of stock of Modesto Refrigerating Co. is only a means by

which it ultimately will take title to the properties and assets. It therefore proposes, following its acquisition of the shares of Modesto stock, to cause a dissolution of that company and the distribution of the assets. It also proposes to issue a note jointly with its parent company to Massachusetts Mutual Life Insurance Company in the amount of \$1,500,000 in order to refinance its temporary borrowings. The proposed note will bear interest at the rate of 3.8% per annum and will be payable on December 1, 1971.

Upon the conclusion of these several transactions, Merchants Refrigerating Company of California will have taken the place of Modesto Refrigerating Co. in the operation of the present cold storage and refrigerating facilities in Modesto. It appears that the new company proposes to continue the business as it now is being carried on, with no change in the rates or service.

It is our opinion that the proposed transfers of stock and properties will not be adverse to the public interest and that an order should be entered at this time authorizing Merchants Refrigerating Company of California to issue its stock and notes and to acquire the shares of stock of Modesto Refrigerating Co. Upon the filing by Modesto Refrigerating Co. of a supplemental application in Application No. 34744 in which it joins in the proceeding, we will enter a further order authorizing the distribution of its properties and the assumption of indebtedness to complete the transaction.

The action taken herein shall not be construed to be a finding of the value of the stock and properties of Modesto Refrigerating Co.

#### ORDER

The Commission having considered the above entitled matters and being of the opinion that public hearings are not necessary,

that the applications should be granted, as herein provided, that the money, property or labor to be procured or paid for by the issue of the shares of stock and the note, or notes, herein authorized is reasonably required by Merchants Refrigerating Company of California for the purposes specified herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Merchants Refrigerating Company of California, on or before December 31, 1953, may issue not exceeding \$175,000 par value of its capital stock to Merchants Refrigerating Company in consideration for the issue to it of 9,722 shares of the Class B stock of Merchants Refrigerating Company and the payment of \$75,000 in cash.

2. Merchants Refrigerating Company of California, on or before December 31, 1953, may issue to Massachusetts Mutual Life Insurance Company a joint and several promissory note, or notes, in the aggregate principal amount of not exceeding \$1,500,000, bearing interest at the rate of 3.8% per annum and to be issued pursuant to and in, or substantially in, the form set forth in the loan agreement with Massachusetts Mutual Life Insurance Company for the purpose of refinancing temporary borrowings of like amount.

3. Merchants Refrigerating Company of California may acquire all the outstanding shares of stock of Modesto Refrigerating Co. and deliver in payment the 9,722 shares of Class B stock of Merchants Refrigerating Company and \$1,575,000 in cash.

4. Merchants Refrigerating Company of California 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.

5. The authority herein granted will become effective when Merchants Refrigerating Company of California has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$1,250.00.

Dated at San Francisco, California, this 29<sup>th</sup> day of

September, 1953.

[Signature]  
President

[Signature]  
[Signature]  
[Signature]

Commissioners

