

ORIGINAL

Decision No. 49844

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)

of)

NATIONAL ICE AND COLD STORAGE.)
COMPANY OF CALIFORNIA)

) Application
) No. 35293

) for an Order authorizing Applicant to
) issue, sell and deliver not exceeding
) 5857 shares (no par value) of its common
) stock to officers and other employees and
) to use the proceeds thereof for the
) purposes herein set forth.
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O P I N I O N

National Ice and Cold Storage Company of California, applicant herein, is a corporation engaged in the operation of cold storage warehouses and ice plants in various cities in California. In this application it reports that it intends to set up an employees' stock purchase plan and it seeks authorization to issue and sell up to 5,857 shares of its no par value common stock to its officers and employees, in accordance with the terms of the plan. It intends to use the proceeds it will receive through the issue and sale of such shares for working capital and to pay outstanding indebtedness or to finance the cost of improvements.

Terms of Plan

Under the terms of the proposed plan all officers and employees who are bona fide residents of California and who have completed a minimum of five years of service shall be eligible to purchase shares of stock, providing, however, that no director of the

company who is not otherwise an active employee shall be eligible. Such eligible individuals may purchase any number of shares they desire up to a maximum amount based on length of employment plus a maximum amount based on basic annual salary, subject to a limitation that the minimum number of shares which may be purchased shall be five. The price at which the shares will be offered for sale and purchase will be left to the discretion of the board of directors but shall not be less than 85% of the fair market price at the date when any offer is made.

The purpose of the plan, according to the application, is to recognize the desire of employees to acquire an ownership interest in the company and to obtain for the company the advantages inherent in stock ownership by participating employees.

Market Prices

Applicant's stock is not listed on any exchange but is bought and sold over the counter. In Exhibit D applicant has furnished a statement of bid and ask prices showing a range since 1949 from a low bid of \$8 a share to a high asked price of \$22. During the year 1953 the bid prices ranged from \$12 to \$19 and the asked prices from \$20 to \$22, although in nine of the twelve months only bid prices were recorded. For the first three months of 1954 the quotations ranged from \$18 bid to \$22 asked, with the most recent recorded sale price, as reported in the application, being in January of this year when 100 shares were sold at \$18.50 each.

Capital Structure

Applicant was organized in 1912 and at present has an authorized capital stock of 100,000 shares, divided into 50,000 shares of no par value common stock and 50,000 shares of 7% cumulative

preferred stock of the par value of \$100 each. Presently it has 44,143 shares of common stock outstanding so that the proposed plan contemplates the issue of the remaining authorized but unissued shares of common.

Applicant has never paid any dividends on its shares of common stock since its organization.

As to the preferred shares, applicant at one time had outstanding 10,586 shares, of the aggregate par value of \$1,058,600. Due to insufficient earnings it did not pay dividends in some years on its outstanding shares of preferred stock and up to the close of 1953 had accumulated arrearages of \$199.50 a share.

During the latter part of 1953, under a program designed to improve its financial position, to eliminate the accumulated arrearages and to place itself in a position where it could pay dividends on its common shares, applicant made an offer to its preferred shareholders to purchase their shares of stock for \$250 in cash and it arranged, and was authorized by the Commission, to issue \$3,400,000 of 5% notes to finance the purchase price of said shares of preferred stock and to pay certain indebtedness.

The present application indicates that the holders of all but 524 shares of the preferred stock accepted applicant's offer and surrendered their holdings for payment.

Financial Position

Applicant's financial position as of February 28, 1954, as indicated by its balance sheet as of that date, is set forth in Exhibit A filed in this proceeding. A summary of the balance sheet is as follows:

Assets

Plant and property, less reserve		\$4,100,130
Other investments		379,757
Current assets -		
Cash	\$ 584,712	
Government securities	91,000	
Receivables	354,644	
Inventories	<u>53,492</u>	
Total current assets		1,083,854
Deferred charges		<u>113,195</u>
	Total	<u>\$5,676,936</u>

Liabilities

Long-term debt		\$3,263,776
Current liabilities		<u>297,458</u>
Total liabilities		3,561,234
Preferred stock		52,400
Equity capital -		
Common stock	\$ 1	
Stated capital	1,006,200	
Capital surplus	99,663	
Earned surplus	<u>957,438</u>	
Total equity		<u>2,063,302</u>
	Total	<u>\$5,676,936</u>

The outstanding common stock, as stated, consists of 44,143 shares which, as shown by the preceding balance sheet, are carried on applicant's books at \$1. It appears that the common shares originally had a par value of \$100 each and were carried on the balance sheet at that price, but that under authorization granted by the Commission in 1935 the outstanding shares were converted into shares without par value and were written down to the total sum of \$1 in order to eliminate certain items from the books which represented good will and appreciation charged to the property accounts in 1914. The stated capital of \$1,006,200 in addition to the amount assigned to the outstanding shares, was created in 1953 upon the preferred stock refinancing.

Earnings

In recent years applicant has been conducting its business at a profit, although it has been unable to pay dividends on its

common shares due to the arrearages in the preferred dividend payments. Its operating revenues have increased from \$3,256,174 in 1950 to \$3,811,264 in 1953 and its net income during this same period from \$142,612 to \$390,555. A summary statement of its 1953 income account is as follows:

Warehouse operating income -	
Operating revenues	\$2,419,411
Operating expenses and taxes	<u>2,058,711</u>
Net operating income	<u>360,700</u>
Nonutility operating income -	
Revenues	1,391,853
Expenses	<u>1,315,688</u>
Net nonutility income	<u>76,165</u>
Total income	<u>436,865</u>
Interest on long-term debt	<u>46,310</u>
Net income	<u>\$ 390,555</u>

On a pro forma basis it would appear that annual interest and preferred dividend payments on the notes authorized by the Commission in its former decision and the preferred shares remaining outstanding would approximate \$174,000.

Conclusions

From a review of the application it appears that based on the most recently reported figures the net income, as a result of the refinancing of the preferred stock and the discharge of the accumulated arrearages should be sufficient to enable applicant to meet its fixed charges and to carry to surplus a balance which should permit the payment of dividends on the shares of common stock.

In our opinion the proposed plan to issue shares of stock to employees has merit and we will enter an order authorizing the issue of such shares to enable applicant to carry its plan to completion. In making the order we are aware of applicant's representations in its proposed letter to its shareholders to the effect that in submitting the matter to them it will not ask them to buy stock and that

their positions as employees will in no way be affected by a refusal to participate in the plan. Our order in this matter generally approving the plan should not be construed in any way as requiring any employee to subscribe for shares of applicant's stock.

However, we do not believe we should enter an order unrestricted as to price or time of offer. On the basis of the latest recorded sales of applicant's shares of stock, we will authorize it to offer its shares over a period of two years at not less than \$15.25, this price being approximately 85% of the latest reported sales price.

O R D E R

The Commission having considered the above entitled matter and being of the opinion that a public hearing is not necessary, that the application 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 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; therefore,

IT IS HEREBY ORDERED as follows:

1. National Ice and Cold Storage Company of California may issue and sell to its eligible officers and employees under its proposed stock purchase plan not exceeding 5,857 shares of its no par common stock, from time to time on or before April 30, 1956, at not less than \$15.25 a share. Applicant shall use the proceeds from the issue and sale of such shares to provide working capital, to pay indebtedness or to finance the cost of improvements.

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 20 days after the date hereof.

Dated at San Francisco, California, this 30th day of March, 1954.

A. J. [Signature]
President

Justice J. [Signature]
[Signature]
[Signature]
[Signature]
Commissioners