

ORIGINAL

Decision No. ~~50755~~

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
VENTURA COUNTY WAREHOUSE CO., a cor-	:	Application
poration, for an Order Authorizing)	No. 35907
the Issuance of a Share Dividend.	:	
-----)	

O P I N I O N

Ventura County Warehouse Co. has filed this application for authorization to issue 2500 shares of stock of the par value of \$10 each.

Applicant is engaged in the business of buying, selling, processing and packaging agricultural and food products, particularly beans, and of operating a public warehouse at El Rio. In the conduct of its business it has accumulated a surplus balance of \$28,325.95 as of July 31, 1954, as shown in Exhibit A filed in this proceeding and it now reports that it intends to distribute the amount through the payment of a cash dividend of \$3000 during November and, subject to receiving authorization from the Commission, through the issue of \$25,000 par value of its stock as a stock dividend to the shareholders of record on November 15 of this year.

Presently applicant has 20,000 shares of stock outstanding. It appears that some of its shareholders own a substantial amount of the outstanding stock of West Los Angeles Milling Co. and of Oceanside Warehouse Company, that there exists a common control and management, and that it has been decided by those in control to enter into an agreement of merger of the three corporations, with

West Los Angeles Milling Co. being designated as the surviving corporation. It is asserted that substantial savings can be effected in administrative and operational overhead costs through the merger.

There are different degrees of ownership of the stock of the three corporations and accordingly the transaction outlined in this application is being undertaken as a preliminary step in order to place the book value of applicant's stock at approximately its par value. Thereafter, it is proposed, upon carrying out the terms of the merger agreement, for West Los Angeles Milling Co. to issue its shares of stock to the shareholders of the other corporations upon a par for par basis.

A financial statement filed in this proceeding shows that for the year ended July 31, 1954, applicant's gross revenues from its sales activities amounted to \$283,132.24, from its storage business to \$19,872.99, and from handling and miscellaneous functions to \$85,662.13, a total of \$388,667.36, with net gain for the period from all sources of \$26,631.63. The statement shows applicant's financial position as follows:

<u>Assets</u>		
Current assets -		
Cash	\$ 6,562.24	
Accounts receivable	67,068.73	
Merchandise inventory	<u>6,000.00</u>	
Total current assets		\$ 79,630.97
Tangible assets, less depreciation		166,664.12
Intangible assets		772.03
Deferred charges		<u>2,069.72</u>
	Total	<u>\$249,136.84</u>
<u>Liabilities and Capital</u>		
Current liabilities		\$ 20,810.89
Capital -		
Common stock	\$200,000.00	
Surplus	<u>28,325.95</u>	
Total capital		<u>228,325.95</u>
	Total	<u>\$249,136.84</u>

It clearly appears that applicant has had earnings from operations in excess of the proposed stock issue and that such earnings have been retained in the business. The payment of the stock dividend will not result in the withdrawal of cash, being merely a transfer from surplus to the capital stock account, and should in no way affect or interrupt applicant's affairs or the functioning of its warehouse facilities. We are of the opinion, and so find, 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 purpose specified, and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income. Accordingly, an order will be entered granting the application.

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 and that the application should be granted, as herein provided; therefore,

IT IS HEREBY ORDERED as follows:

1. Ventura County Warehouse Co. may issue not exceeding 2500 shares of its common stock in reimbursement of its treasury for retained earnings invested in its assets. Thereafter it may distribute such shares to its shareholders as a stock dividend.
2. Ventura County Warehouse Co. 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 upon the date hereof.

Dated at San Francisco, California, this 16th day of November, 1954.

John E. Haxel
President

James D. Graham

Gene Jaggins

Raymond L. Hester

Commissioners