

ORIGINAL

Decision No. 54155

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
WEST LOS ANGELES MILLING CO., a )  
corporation, and CHINO BEAN WAREHOUSE, )  
INC., a corporation, for an Order )  
authorizing the Transfer of the )  
Franchises and Assets of CHINO BEAN )  
WAREHOUSE, INC., to WEST LOS ANGELES )  
MILLING CO., pursuant to a Statutory ) Application No. 38448  
Corporate Merger under Sections 4100 )  
to 4318 of the Corporations Code of )  
the State of California; and )  
: )  
In the Matter of the Application of )  
WEST LOS ANGELES MILLING CO., a )  
corporation, for an Order authorizing )  
the Issuance of Shares. )  
: )  
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C. L. McGaushey, for Applicants.

OPINION

This is an application for an order authorizing West Los Angeles Milling Co., a corporation, to issue \$185,700 par value of common stock (9,285 shares) in exchange for common stock of Chino Bean Warehouse, Inc., pursuant to the terms of a statutory corporate merger, and approving the terms of said merger.

In this decision West Los Angeles Milling Co. will be referred to as West Los Angeles and Chino Bean Warehouse, Inc., as Chino.

The application was filed on September 26, 1956. A public hearing upon the fairness of the terms and conditions of the issue and exchange of stock pursuant to the provisions of Section 822 of the Public Utilities Code was held before Examiner Coleman in Los Angeles on November 14, 1956, after notice of such hearing had been given by mailing to all the holders of the outstanding shares of stock of both

corporations. No protests were received by the Commission and at the conclusion of the hearing the matter was taken under submission.

West Los Angeles is a public utility warehouseman operating in West Los Angeles, Oxnard, Oceanside, Meridian, Sutter and Durham. Primarily, however, its business is of a nonutility nature and consists of the buying, selling, processing and packaging of agricultural products, particularly beans.<sup>1/</sup> In the conduct of its merchandising activities it purchases beans in the area from San Diego to Santa Barbara and Santa Maria and in the Sacramento Valley, transports such purchases to its packaging plants and thereafter distributes its products through wholesale, retail and jobbing outlets throughout California and other states.

It appears that West Los Angeles has conducted negotiations for the acquisition of additional plant facilities which have culminated in a merger agreement with Chino, a corporation engaged in public utility warehousing of agricultural products, particularly black-eye beans, and in related nonutility activities, at Chino.<sup>2/</sup>

Under the terms of the merger agreement West Los Angeles will be the surviving corporation, will succeed, without other transfer, to all the assets of Chino, will assume its debts and

<sup>1/</sup> In Exhibit G, West Los Angeles reports its gross revenues for the fiscal year ended June 30, 1956, as follows:

Sales	\$4,158,468
Storage	27,884
Interest	60
Handling in and out	145,160
Miscellaneous	5,990
Total	<u>\$4,337,562</u>

<sup>2/</sup> In Exhibit H, Chino reports gross revenues for the year ended June 30, 1956, as follows:

Storage	\$ 17,541
Cleaning, fumigating, treating	87,975
Sacks	4,153
Commission	7,072
Bulk handling	7,031
Miscellaneous	6,993
Total	<u>\$130,765</u>

liabilities, and will issue to the shareholders of Chino 23,2125 shares of its common stock of the par value of \$20 each in exchange for each share of Chino stock of the par value of \$100 each. Presently, Chino has outstanding 400 shares of stock, so that the consummation of the agreement will call for the issue by West Los Angeles of 9,285 shares of stock of the aggregate par value of \$185,700. All the shareholders of both corporations who were represented at the special shareholders' meetings have approved the terms of the merger and of the issue and exchange of the shares of stock.

The record indicates that the terms of the exchange of stocks were determined after a consideration of the earnings position of Chino, anticipated results of operation and an estimate of the present value of Chino's facilities. A pro forma consolidated balance sheet of the surviving corporation, following the completion of the merger proceeding, is as follows:

<u>Assets</u>		
Current assets -		
Cash	\$119,211	
Accounts receivable	341,097	
Inventories	<u>575,984</u>	
Total current assets		\$1,036,292
Tangible assets		1,462,615
Other assets		43,869
Deferred charges		<u>6,597</u>
	Total	<u>\$2,549,373</u>
<u>Liabilities and Capital</u>		
Accounts payable		\$ 127,580
Long-term debt		236,000
Capital -		
Common stock	\$1,984,738	
Earned surplus	166,473	
Paid-in surplus	<u>34,582</u>	
Total capital		<u>2,185,793</u>
	Total	<u>\$2,549,373</u>

The record shows that in the preparation of the consolidated statement the book figures of the two corporations were used for all assets and liabilities except the tangible assets of Chino which were increased from a net total of \$77,578 to \$132,023 to reflect appraisal figures.

In support of the request for approval of the merger, it is reported that produce is available to Chino for purchase but that the company is not in the position to undertake transactions in any quantities because of lack of facilities and sales outlets. Upon the merger becoming effective, West Los Angeles will make available to agricultural growers in the Chino area its present distribution facilities. The merger will enable West Los Angeles to acquire a greater volume of products and to package the same economically and expeditiously. Through the issue of the \$185,700 par value of stock, West Los Angeles will acquire a business which produced net income of \$19,134 during the year ended June 30, 1956.

It appears that the merger will not affect adversely the public utility service offered to the public but will, according to the testimony, improve service by developing a ready market for the stored commodities, which in turn should make more space available because of the more rapid movement of the stored goods. The evidence shows that West Los Angeles will adopt the present rates of Chino.

A consideration of the evidence shows that the two corporations are reasonably successful going concerns. The merger will result in an expanded operation having a favorable cash position and a substantial volume of working capital with a relatively small amount of long-term obligations.

Upon a review of the evidence we are of the opinion and so find:

1. That the merger will not be adverse to the public interest;
2. That the terms and conditions of the issue and exchange of stock as proposed in said merger agreement are fair; and
3. That the money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required for the purpose specified herein, and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.

Upon the basis of the foregoing findings we hereby approve the terms and conditions of the merger and of the issue and exchange of stock. It is true that the transaction is based in part on appraised values of property. However, the record in this particular case warrants the Commission in departing from its usual practice of relating a stock issue to the original cost of property less depreciation. The warehouse business of both applicants represents only a small portion of the total business and is incidental to the merchandising activities, and the operations in the future, in the main, will be of a merchandising nature.

Our action in this proceeding is not to be construed as a finding of value of the properties to be merged. If called upon to fix rates for storage in the future, the values claimed in this proceeding will be subject to investigation by the Commission.

O R D E R

A public hearing having been held on the above-entitled matter upon the fairness of the terms and conditions of the issue and exchange of stock by West Los Angeles Milling Co. in exchange for

stock of Chino Bean Warehouse, Inc., and the execution of a merger agreement, notice having been given, and the Commission having considered the evidence and being of the opinion that the application should be granted as herein provided; therefore,

IT IS HEREBY ORDERED as follows:

1. West Los Angeles Milling Co. and Chino Bean Warehouse, Inc., are authorized to execute and enter into an agreement of merger whereby Chino Bean Warehouse, Inc., is merged into West Los Angeles Milling Co.

2. Chino Bean Warehouse, Inc., pursuant to the terms of said merger agreement, may transfer its assets to West Los Angeles Milling Co. and West Los Angeles Milling Co. may succeed to such assets and assume the payment of the outstanding liabilities of Chino Bean Warehouse, Inc.

3. West Los Angeles Milling Co. may issue not exceeding 9,285 shares of its capital stock in exchange for shares of stock of Chino Bean Warehouse, Inc., in accordance with the terms of said merger agreement.

4. On not less than five days' notice to the Commission and to the public, effective concurrently with the consummation of such transfer, applicants shall supplement or reissue the tariffs now on file with the Commission, insofar as they name rates, rules and regulations governing the warehouse operations here involved, to show that Chino Bean Warehouse, Inc., has withdrawn or canceled and that West Los Angeles Milling Co. concurrently has adopted or established as its own said rates, rules and regulations. The tariff filings made pursuant to this order in all respects shall comply with the regulations governing the construction and filing of warehouse tariffs set forth in the Commission's General Order No. 61.

5. West Los Angeles Milling Co. shall file with the Commission monthly reports of the issue of said shares of stock as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

6. The authority herein granted will become effective on the date hereof.

Dated at San Francisco, California, this 29<sup>th</sup> day of December, 1956.

[Signature]  
President

[Signature]

[Signature]

[Signature]  
Commissioners

Commissioner Rex Hardy, being necessarily absent, did not participate in the disposition of this proceeding.