

Decision No. 54874

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)

of)

BERCUT-RICHARDS PACKING CO., a)
California corporation,)

Application No. 38938

for an order authorizing the)
issuance of shares of stock in)
payment of share dividend.)
-----)

O P I N I O N

Bercut-Richards Packing Co., a corporation, has filed this application for authorization to issue 850,000 shares of its common stock, of the par value of \$1 each, in reimbursement of retained earnings invested in its assets. It intends to distribute the shares to the stockholders of record on March 11, 1957, as a share dividend.

Applicant is engaged in operating a cold storage plant in Sacramento and in conducting trucking, mercantile and other operations of a nonutility nature. According to Exhibit 1 filed in this proceeding, its revenues and expenses for the fiscal years ended March 31, 1955 and 1956 have been as follows:

	<u>1955</u>	<u>1956</u>
Revenues -		
Net sales	\$10,878,155	\$11,757,649
Cold storage	244,250	193,605
Trucking	8,504	15,777
Other	<u>111,905</u>	<u>138,831</u>
Total	11,242,814	12,105,912
Expenses	<u>10,941,379</u>	<u>11,535,808</u>
Balance	301,435	570,104
Income Taxes	<u>145,000</u>	<u>185,000</u>
Net earnings	<u>\$ 156,435</u>	<u>\$ 385,104</u>

It appears that the company has financed itself largely with equity capital. A summary statement showing assets, liabilities and capital, as of December 31, 1956, is as follows:

<u>Assets</u>		
Current assets	\$11,295,282	
Less-current liabilities	<u>10,315,346</u>	
Net working capital		\$ 979,936
Property, plant and equipment, less reserves		2,947,338
Other investments		<u>200,421</u>
Total		<u>\$4,127,695</u>
<u>Liabilities and Capital</u>		
Long-term debt		\$ 294,920
Capital -		
Common stock	\$ 150,000	
Retained earnings	<u>3,682,775</u>	
Total capital		<u>3,832,775</u>
Total		<u>\$4,127,695</u>

From a review of applicant's financial statement, it clearly appears that it has had earnings, after making allowances for depreciation, in excess of the proposed stock dividend and that such earnings, instead of being distributed as cash dividends, have been retained by applicant in its assets and business. An order, therefore, properly can be entered authorizing applicant to issue the shares of stock in the amount requested for the purpose of reimbursing its treasury for monies actually expended from income for additions, betterments and extensions to its facilities. Such shares thereafter may be distributed to the holders of the presently outstanding shares as a share dividend.

The issue of the shares of stock as a dividend will not call for the withdrawal of cash from applicant's business. It will result in the transfer of the sum of \$850,000 from the retained

earnings to the common stock account, the transaction thus resulting in the permanent retention of earnings of that amount and in the development of a broader base of permanent equity in applicant's capital structure.

Upon a review of this matter we are of the opinion that an order should be entered 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, 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 purpose specified herein, and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

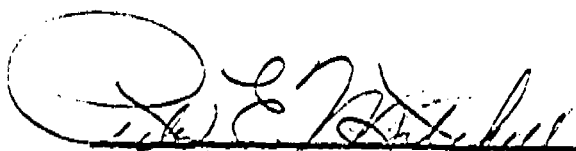
IT IS HEREBY ORDERED as follows:

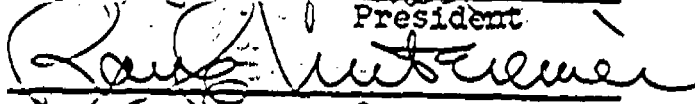
1. Bercut-Richards Packing Co., on or before September 30, 1957, may issue not exceeding 850,000 shares of its common stock, of the aggregate par value of \$850,000, for the purpose of reimbursing its treasury, and thereafter may distribute such shares as a share dividend to the holders of its outstanding shares of common stock of record on March 11, 1957.

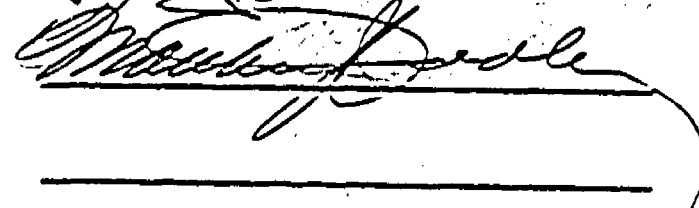
2. Bercut-Richards Packing Co. shall file with the Commission a monthly report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

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

Dated at San Francisco, California, this 22nd day of APRIL, 1957.



President




Commissioners