

ORIGINAL

Decision No. 63936

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of RIZ WAREHOUSE COMPANY, a copartnership composed of E. J. SAAL, JR. and OSCAR F. ZEBAL, copartners, RIZ WAREHOUSE COMPANY, INCORPORATED, a California corporation, and of OSCAR F. ZEBAL, KINTA A. HALLER, E. J. SAAL, JR. and DOROTHY T. SAAL, individually, for order (1) authorizing transfer of operative right and other assets, and (2) authorizing new corporation to issue stock in exchange for property

Application No. 44420.  
Filed May 8, 1962

O P I N I O N

In this application, four individuals, namely, E. J. Saal, Jr., Oscar F. Zebal, Dorothy T. Saal and Kinta A. Haller, seek authorization to transfer warehouse operative rights and properties to Riz Warehouse Company, Incorporated, and Riz Warehouse Company, Incorporated, seeks authorization to issue \$389,600 par value of its common stock.

The application shows that on August 30, 1960, in Case No. 6907, the Commission determined that three of these four individuals, namely, E. J. Saal, Jr., Oscar F. Zebal and Kinta A. Haller, then Kinta A. Zebal, along with a fourth individual named Sophia H. Saal, all doing business as Riz Warehouse Company, possessed a prescriptive operative right as a public utility warehouseman for the operation of 36,500

square feet of floor space in Willows and vicinity; that each of said individuals at that time was the owner of an undivided one-quarter part of the real and personal properties used in the warehouse operations; and that Sophia H. Saal, on or about June 2, 1961, transferred and conveyed her interest in said real and personal properties to E. J. Saal, Jr. and Dorothy T. Saal, husband and wife.

The application further shows that the present individual owners now desire to conduct their warehouse operations by means of a corporate form of organization and that they propose to transfer their warehouse operative rights and properties, subject to liabilities, to Riz Warehouse Company, Incorporated, in exchange for 3,896 shares of common stock of the total par value of \$389,600. It appears that the proposed stock issue is based, in part at least, on an appraisal report dated January 18, 1961, filed as Exhibit B, which shows the estimated replacement cost new of the tangible assets, less depreciation, in the amount of \$94,924 for a one-quarter interest and \$379,696 for the total. The appraisal report, however, after considering earnings and other factors, finds the fair market value of a one-quarter interest to be \$36,000.

Financial statements filed with the application indicate that the warehouse operations have been reasonably successful. For the year 1958-59 net profits of \$5,240 were reported; for the year 1959-60, \$11,036; and for the year

1960-61, \$16,396, after deducting approximately \$20,000 for depreciation in each of the three periods. The statements also show the assets and liabilities as of February 1, 1962, as follows:

| <u>Assets</u>                            |                  |
|--|------------------|
| Tangible assets -                        |                  |
| Land, improvements, equipment            | \$265,908        |
| Less - depreciation reserves             | <u>162,266</u>   |
| Net tangible assets                      | \$103,642        |
| Current assets, less current liabilities | <u>50,166</u>    |
| Total                                    | <u>\$153,808</u> |
| <br><u>Liabilities and Capital</u>       |                  |
| Notes payable to Bank of America         | \$ 40,000        |
| Proprietary capital                      | <u>113,808</u>   |
| Total                                    | <u>\$153,808</u> |

The Commission records show that at one time the operations of Riz Warehouse Company were conducted by a partnership consisting of E. J. Saal and Oscar F. Zebal; that by Decision No. 52743, dated March 13, 1956, the Commission authorized E. J. Saal to transfer his partnership interest to E. J. Saal, Jr.; and that the tariffs have been, and now are, filed in the names of E. J. Saal, Jr. and Oscar F. Zebal. The transfers of the interests in the ownership of the properties to Sophia H. Saal and to Dorothy T. Saal and Kinta A. Haller were not authorized by the Commission.

Upon reviewing this matter we find and conclude that -

1. The transfers of the operative rights and properties of Riz Warehouse Company are not adverse to the public interest;
2. The utility plant and depreciation reserve accounts of Riz Warehouse Company should be transferred to, and set up on, the books of account of Riz Warehouse Company, Incorporated, rather than the estimated replacement cost new, less depreciation;
3. The estimated replacement cost new, less depreciation, is not a proper base for an order authorizing the issue of stock;
4. *11/12* The stock to be issued <sup>by</sup> ~~to~~ Riz Warehouse Company, Incorporated, should be limited in amount to the reported net worth of Riz Warehouse Company; and
5. The money, property or labor to be procured or paid for by the issue of not to exceed \$113,800 par value of stock is reasonably required by Riz Warehouse Company, Incorporated, for the purpose set forth in this application, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.

Upon the basis of these findings, we will authorize the several transfers referred to herein and the issue of stock in the amount indicated. The authorizations herein granted are not to be construed to be findings of the value of the operative rights and properties which are authorized to be transferred.

O R D E R

The Commission has considered the above-entitled matter and has determined that a public hearing is not necessary, therefore,

IT IS ORDERED that -

1. E. J. Saal, Jr. and Oscar F. Zebal are authorized to transfer interests in the ownership of the properties of Riz Warehouse Company to Sophia H. Saal and Kinta A. Haller, formerly Kinta A. Zebal, and Sophia H. Saal is authorized to transfer her interest to E. J. Saal, Jr. and Dorothy T. Saal.

2. E. J. Saal, Jr., Oscar F. Zebal, Dorothy T. Saal and Kinta A. Haller, individually and/or as partners, are authorized to transfer the operative rights and properties of Riz Warehouse Company, subject to outstanding indebtedness, to Riz Warehouse Company, Incorporated.

3. Riz Warehouse Company, Incorporated, for the purpose of acquiring said operative rights and properties, may issue not to exceed \$113,800 par value of its common capital stock.

4. The request to issue the remaining \$275,800 of stock is denied.

5. Within thirty days after the consummation of the transactions herein authorized, Riz Warehouse Company, Incorporated, shall notify the Commission, in writing, of that fact and within said period shall file with the Commission a true copy of any bill of sale or other instrument of conveyance which may be executed.

6. Applicants shall amend or reissue the tariffs on file with the Commission, naming rates, rules and regulations governing the warehouse operations here involved to show that the present owners have withdrawn or canceled, and Riz Warehouse Company, Incorporated, has adopted or established, as its own, said rates, rules and regulations. The tariff filings shall be made effective not earlier than thirty days after the effective date of this order on not less than thirty days' notice to the Commission and to the public, and the effective date of the tariff filings shall be concurrent with the consummation of the transfer herein authorized. The tariff filings made pursuant to this order shall comply in all respects with the regulations governing the construction and filing of tariffs set forth in the Commission's General Order No. 61.

7. Riz Warehouse Company, Incorporated, shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

8. The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California,  
this 17<sup>th</sup> day of JULY, 1962.

George G. Grover  
President

John S. Mitchell

E. J. Fox

Everett W. Sage

Fredrick B. Hallock  
Commissioners