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Decision No. 13249

BEFORE THE RAILROAD COMMISSION THE STATE OF CALIFORNIA.

In the Matter of the Application of  
THE SOUTHWEST STORAGE COMPANY, INC.,  
a corporation, for an order authoriz-  
ing the issuance and sale of corporate  
stock and the operation of a warehouse  
as a public utility and the encumbrance  
of its real property.

ORIGINAL

Application Number 9708.

Merriam, Rinchart & Merriam,  
by Ralph T. Merriam, for Applicant.

BY THE COMMISSION:

O P I N I O N

In this application, as amended, the Railroad Commission is asked to make an order authorizing The Southwest Storage Company, Inc. to operate as a public utility warehouse, to issue \$30,000.00 of stock for the purpose of acquiring properties and of paying organization and other expenses, and to execute a deed of trust and to issue its promissory note in the face amount of \$5,000.00 for the purpose of paying in part the cost of constructing a warehouse building.

A public hearing in this matter was held before Examiner Williams in Los Angeles.

The record shows that The Southwest Storage Company, Inc. was organized on or about November 30, 1923 for the purpose, among others, of operating a general storage and warehouse business in the City of San Bernardino. The company was incorporated with a capital stock of \$30,000.00, divided into 300 shares of the par value of \$100.00 each, all shares being common. It is proposed at this time

to issue and deliver \$19,200.00 of stock in payment of properties and services and for working capital, and to issue and sell \$10,800. of stock at 95 net for the purpose of obtaining funds to provide for the construction and equipment of a warehouse building, or buildings, and to pay organization expenses, taxes and necessary expenses incident to the issue and sale of stock, and the usual incorporation expenses.

Applicant proposes to deliver the \$19,200.00 of stock as follows:-

To A.T.Ambler, in payment of a tract of land in San Bernardino . . . . .	\$15,000.00
To A.T.Ambler in payment for a one ton Ford truck . . . . .	600.00
To R. T. Merriam in payment for legal services . . . . .	500.00
To Chas. S. Wilson at par for cash . .	2,500.00
To Chester F. Ambler at par for cash .	100.00
To Olive M. Ambler at par for cash	500.00
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TOTAL.....	<u>\$19,200.00</u>

The tract of land consists of a lot fronting 606 feet on "I" Street and 153 feet<sup>deep</sup> on Ninth Avenue and Tenth Streets in San Bernardino. The property, which is in excess of two acres, is improved with a spur track along the entire frontage which is parallel with, and adjacent to, the main line of the Santa Fe and Union Pacific Railroads. The property is owned by A.T.Ambler, applicant's president, who has agreed to sell it to the corporation for \$15,000.00 of stock. In addition, Mr. Ambler proposes to sell to the corporation, a one ton Ford truck for \$600.00 of stock.

The legal services, in payment of which the Commission is asked to authorize the issue of \$500.00 of stock, consist in organizing and incorporating the company and in preparing and presenting this application to the Commission. The cash to be received for the \$3,100.00 of stock to be sold at par we will authorize to be used for working capital.

Applicant asks permission to execute a deed of trust to W. T. Bill and A. E. Ball, as trustees, to secure the payment of a note in favor of Redlands Building-Loan Association, in the principal amount of \$6,000.00, payable in equal monthly installments over a period of 107 months commencing March 1, 1924. The company has filed a copy of its proposed deed of trust as its Exhibit "B". It will secure the payment of the proposed note and additional amounts up to a total of \$10,000.00. At this time, however, it is proposed to borrow only \$6,000.00. The proceeds obtained from the note will be used in constructing a warehouse 50 x 100 feet in dimension and consisting of a concrete basement over which there will be a floor of 2-inch planks upon which there is to be erected a superstructure of one-story, walled with corrugated iron. The total capacity is estimated at 90,000 cubic feet.

In addition to the \$19,200.00 of stock, applicant proposes to issue and sell \$10,800.00 of stock to the public. It intends to offer the stock at par, but asks permission to use an amount of the proceeds not exceeding five percent. of the par value of the stock sold to pay selling expenses, and to use approximately \$200.00 to pay miscellaneous organization fees and expenses. The testimony indicates that a portion of the proceeds might be used to pay the \$6,000.00 note. As the company was not in the position, at the hearing, to advise the Commission definitely of the exact purposes for which it intends to use all the proceeds from the sale of the stock, the order herein will authorize the company to issue and sell the \$10,800.00 of stock at par, less a selling commission of five percent., but will provide that no proceeds, other than the \$8,200.00 to pay organization expenses and indebtedness, may be expended except as subsequently authorized by the Commission.

Charles E. Wilson, applicant's vice-president, testified that with a minimum rate of one percent. per cubic foot, the company's gross annual revenues from storage should aggregate \$11,071.00. In

addition, he estimated that the annual turn over or handling charges should amount to \$3,690.00; rental of the unoccupied portion of the lot to \$1200.00; and miscellaneous earnings to \$2,000.00; making a total estimated gross revenue of \$17,961.00. Operating expenses are estimated at \$7500.00 a year, leaving an estimated net revenue of \$10,461.00. Mr. Wilson also testified that he had ascertained that there was a demand in San Bernardino for negotiable warehouse receipts from responsible warehouses which led him to believe that there was need for applicant's proposed operations.

Applicant also asks the Commission to declare that public convenience and necessity require it to operate as a public utility warehouse. Under the provisions of the Public Utilities Act a warehouseman may undertake the operation of a public utility warehouse without a certificate of public convenience and necessity. The request of applicant to operate as a public utility will therefore be dismissed.

#### ORDER

The Southwest Storage Company, Inc., having applied to the Railroad Commission for permission to issue stock and execute a deed of trust and note, and to operate as a public utility, a public hearing having been held, and the Railroad Commission being of the opinion that it is not necessary for the company to obtain a certificate of public convenience and necessity from the Commission and that the money, property or labor to be procured or paid for through the issue of stock and the execution of the deed of trust and note is reasonably required by applicant for the purposes specified herein and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that The Southwest Storage Company, Inc. be, and it is hereby, authorized to execute a deed of trust substantially in the same form as that filed in this proceeding as Exhibit "B" and to issue its promissory note in the principal amount of \$6,000. and to issue \$30,000.00 of its capital stock.

The authority herein granted is subject to further conditions as follows:-

1. The authority herein granted to execute a deed of trust is for the purpose of this proceeding only and is granted only in so far as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said deed of trust as to such other legal requirement to which said deed of trust may be subject.

2. Applicant may use the proceeds obtained through the issue of the note herein authorized to pay the cost of constructing the warehouse building to which reference is made in the foregoing opinion.

3. Applicant may sell and deliver at par \$19,200.00 of the stock herein authorized for the following purposes:-

a.	To A.T.Ambler in payment for the land and Ford truck to which reference is made in this proceeding . . . . .	\$15,600.00
b.	To R.T.Merriam in payment of legal services . . . . .	500.00
c.	To Chas. S.Wilson at par for cash . . . . .	2,500.00
d.	To C.F.Ambler at par for cash . . . . .	100.00
e.	To Olive M.Ambler at par for cash . . . . .	500.00

The proceeds obtained from the sale of the \$3100.00 of the stock herein authorized at par may be used by applicant for working capital.

4. Applicant may sell \$10,800.00 of the stock herein authorized at par, less a selling commission of not exceeding five percent. of the par value of stock sold, and may use not exceeding \$200.00 of the proceeds to

pay organization expenses and \$6,000.00 to pay the note it is herein authorized to execute. The remaining proceeds, and any portion of the \$6,200.00 not used to pay organization expenses and the note, may be used by applicant only for such purposes as the Commission may authorize in supplemental orders.

5. Applicant shall keep such record of the issue, sale and delivery of the stock and note herein authorized and of the disposition of the proceeds as will enable it to file, on or before the 25th day of each month, a verified report as required by the Railroad Commission's General Order No. 24, which order in so far as applicable, is made a part of this order.
6. The authority herein granted will become effective when applicant has paid the minimum fee prescribed by Section 57 of the Public Utilities Act, which fee is \$25.00 and will expire on December 31, 1924.

IT IS HEREBY FURTHER ORDERED that the application in so far as it relates to the request for a certificate of public convenience and necessity be, and it is hereby, dismissed.

DATED AT San Francisco, California, this 7<sup>th</sup> day of March, 1924.

C. Seavey  
H. B. Roundidge  
Irving Martin

J. T. Whittey  
Commissioners.

