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Decision No. 13586.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
SOUTHERN CALIFORNIA WAREHOUSE AND DIS- )  
TRIBUTING COMPANY, a co-partnership. )  
to sell its business, and of PACIFIC- )  
SOUTHWEST WAREHOUSE COMPANY, a corpo- )  
ration, to purchase said business and )  
for an order authorizing the issue of )  
stock by said corporation. )

Application Number 8803

ORIGINAL

E.E.Bennett, for Applicant.

BY THE COMMISSION:

SECOND SUPPLEMENTAL OPINION

In a supplemental application filed in the above entitled matter on May 1, 1924, Pacific-Southwest Warehouse Company asks permission to issue and sell \$100,000.00 of its eight percent. cumulative preferred stock for the purpose of paying indebtedness and of providing working capital.

A public hearing on the supplemental application was held before Examiner Williams in Los Angeles.

The record in this proceeding shows that applicant was organized on or about February 20, 1923 with an authorized capital stock of \$250,000.00 divided into 2500 shares of the par value of \$100. each, all shares being common. By Decision Number 11953, dated April 24, 1923, as amended by Decision Number 12587, dated September 7, 1923, the company was authorized to issue \$80,000.00 of stock in part payment for the properties of R.L.Bowman, E.C.Chandler and P.C.Sinclair, who were doing business under the firm name and style of Southern California Warehouse and Distributing Company, and to issue and

sell \$50,000.00 of stock at not less than 90 percent. of par value for the purpose of paying outstanding indebtedness of \$12,500.00, of making additions, alterations and improvements and of providing working capital.

Pursuant to such authority, applicant reports that it has issued the \$80,000.00 of stock, as authorized by the Commission and has issued and sold \$15,800.00 of the \$50,000.00 of stock. The time within which the remaining \$34,200.00 of stock might be issued and sold terminated on March 31, 1924. The company has now advised the Commission that it does not, at this time, desire to issue any additional common stock, but has concluded to issue and sell \$100,000.00 of preferred stock. It reports that recently its articles of incorporation have been amended so as to provide for an issue of \$250,000.00 of common stock and \$150,000.00 of preferred stock. The preferred stock bears cumulative dividends at the rate of eight percent. per annum and participates with the common stock in the earnings of the company up to ten percent. per annum. At the option of the company the preferred stock is redeemable on any dividend payment date after two years from the date of payment of the first dividend on such stock at 110 percent. of par value.

Pacific-Southwest Warehouse Company is engaged primarily in storing automobiles in Los Angeles, having commenced operations on March 1, 1923. The revenues and expenses of the business for the twelve months ending December 31, 1923, including two month's operations by Southern California Warehouse and Distributing Company, are reported as follows:-

Operating revenues . . . . .	\$119,663.55
Operating expenses . . . . .	\$90,238.10
Depreciation . . . . .	4,993.63
Total . . . . .	95,231.73
Net operating revenues . . . . .	24,431.82
Interest . . . . .	4,722.97
Miscellaneous losses . . . . .	135.80
Total . . . . .	4,858.77
Net Profit for Year.....	<u><u>\$19,573.05</u></u>

The record in this proceeding shows that applicant has acquired from Los Angeles and Salt Lake Railroad Company a 25-year non-cancellable lease dating from October, 1921, for the lot upon which two brick warehouse buildings are located, which contain about 78,000 square feet available for storage. The company reports that because of increased business it has been compelled to lease five additional warehouses in the City of Los Angeles, containing in the aggregate 52,375 square feet, at a monthly rental of \$2,075.00. Applicant now reports that it has been decided to construct two additional stories on one of its warehouse buildings which will give approximately 75,000 additional square feet and will enable applicant to terminate its leases of the five additional warehouses. Applicant estimates that the construction of the two additional stories will result in a saving in operation of about \$10,500.00 a year.

The application shows that the proposed construction work will cost about \$85,000.00. Of this amount \$17,000.00 is to be paid when construction starts and \$10,200.00 annually thereafter. The company asks permission to use \$17,000.00 of the proceeds from the sale of the \$100,000.00 of stock now applied for, to make the initial payment on the new construction, \$20,400.00 to pay two installments, \$12,500.00 to pay the indebtedness referred to in Decision Number 12587, approximately \$14,000.00 to pay moneys used for freight advances, approximately \$575.00 to pay the cost of constructing a spur track and the remaining proceeds for working capital.

The company proposes to sell its stock at par but to use of the proceeds an amount not exceeding twenty percent. of the par value of the stock sold to pay commissions. After reviewing the record and financial statements on file with the Commission, we believe that applicant should not be allowed to use an amount in excess of ten percent. of the par value of stock sold to pay commissions, or other expenses

incident to the sale of such stock.

SECOND SUPPLEMENTAL ORDER

Pacific-Southwest Warehouse Company having applied to the Railroad Commission for permission to issue and sell \$100,000.00 of its eight percent. cumulative preferred stock, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for through the issue and sale of such stock is reasonably required by applicant, and that the expenditures herein authorized are not in whole or in part reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED that Pacific-Southwest Warehouse Company be, and it is hereby, authorized to issue and sell on or before April 30, 1925, \$100,000.00 of its eight percent. cumulative preferred stock.

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

1. Applicant shall sell its stock for cash at not less than par, but may use <sup>of</sup> the proceeds an amount equivalent to ten percent. of the par value of stock sold to pay commissions and other expenses incident to the sale of the stock. The remaining proceeds and such portion of the ten percent. not needed to pay commissions and selling expenses shall be used to pay indebtedness, provide the cost of construction work and for working capital, as indicated in the foregoing opinion and in this proceeding.

2. Applicant shall keep such record of the issue, sale and delivery of the stock 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.

3. The authority herein granted shall become effective upon the date hereof.

DATED at San Francisco, California, this 21<sup>st</sup> day of May, 1924.

C. Sealey

H. B. Brandiger

Irving A. Austin

Egbert Shaw

J. T. Whittsey  
Commissioners.