

ITEM

Decision No. 14604.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the Matter of the Application of  
 DAVIES WAREHOUSE COMPANY  
 for an order authorizing the issuance  
 of first mortgage leasehold seven per  
 cent sinking fund gold bonds to the  
 value of \$175,000.; notes payable on  
 or before February 1, 1928 not to exceed  
 a total of \$35,000.; seven percent  
 cumulative preferred stock to the face  
 value of \$50,000.; and common stock to  
 the face value of \$30,000.

Application No. 10767

R. M. Farrar, for applicant.

BY THE COMMISSION:

O P I N I O N

ORIGINAL

Davies Warehouse Company asks permission to issue and sell at ninety percent of their face value and accrued interest \$175,000.00 of seven percent ten-year bonds and \$35,000.00 of notes due February 1, 1928. The company also asks permission to issue and sell at not less than ninety, \$50,000.00 of seven percent cumulative preferred stock and \$30,000.00 of common stock. The company further asks permission to use the proceeds obtained from the sale of its bonds, notes and stock to pay the cost of constructing a new four-story Class "A" concrete warehouse building, re-build its existing warehouse structures, equip the same and pay indebtedness to which reference will be made hereafter.

Davies Warehouse Company was organized on or about April 24, 1902, and has an authorized capital stock of \$50,000.00 divided into 500 shares of the par value of \$100. each. Stock in the amount of \$40,000.00 has been issued and is now outstanding. Reports filed with the Commission show that Charles T. B. Jones, president of the company, owns \$32,400.00 of the outstanding stock.

The testimony shows that applicant, during the past several years, because of inadequate warehouse space and facilities, has not been able to store all the commodities offered. Moreover, none of applicant's present warehouse buildings are of fireproof construction. These buildings are located on Central Avenue between First and Second Street, and have a floor space of from 80,000 to 85,000 square feet. Applicant intends to erect on Lot No. 7, to replace its present Warehouse No. 1, a four-story Class "A" concrete warehouse building, with a floor space of about 133,000 square feet. This building will have a frontage of 165' 6" on Central Avenue and a depth of 134'. The building will be of fireproof construction throughout, which should result in a very material reduction in applicant's insurance rates. The cost of the new building is estimated at \$175,000.00. In addition, applicant intends to expend \$10,000.00 to reconstruct its Warehouse No. 2, expend \$10,000.00 for warehouse equipment, pay \$25,000.00 of indebtedness, provide itself with \$10,500.00 of working capital and pay \$3,000.00 of expenses incidental to the issue of bonds.

Applicant's buildings are located on property leased for a term of 99 years from and after July 1, 1923. The lease requires the company to pay during the first 10 years a rental of \$1,000. per month; and during the remaining life of the lease, a rental of \$1,250.00 per month. Applicant has filed in Application No. 10526 as its Exhibit No. 6, a copy of the lease which shows that

it has sub-leased to Haas, Baruch & Company, part of the property covered by its lease of July 1, 1923. Haas, Baruch & Company agree to pay an annual rental of \$750.00 per month for a term of seven years seven months from and after June 1, 1924 and have the right to extend their lease for a term of ten, fifteen, twenty-five or forty years from and after December 31, 1931 at a monthly rental of \$1,000.00.

The testimony shows that the appraisal committee of the Los Angeles Realty Board estimates the value of applicant's leasehold interests and warehouse buildings, when completed, at \$507,999.00. The company has submitted a statement in which it estimates its annual income after the construction of its new warehouse and the remodeling of its existing warehouse buildings at a minimum of \$113,592. It estimates its operating expenses at \$50,452. and its interest charges, sinking fund, taxes, insurance, and amortization of bond discount and expense at \$54,750. making a total annual charge of \$85,202.; leaving net profits estimated at \$28,390. For 1924 the company reports operating revenues of \$60,341.39 and operating expenses of \$53,793.27, leaving net operating revenues of \$6,548.12.

Applicant asks permission to issue \$175,000. of ten-year seven percent bonds which will be a first lien of all of its properties. It has not filed with the Commission a copy of its proposed mortgage or deed of trust to secure the payment of the bonds. The order herein will provide that the authority to issue, sell and deliver bonds will not become effective until the Commission by supplemental order has authorized the company to execute a mortgage or deed of trust to secure the payment of the bonds, nor until the company has paid the fee prescribed by Section 57 of the Public Utilities Act.

The company also asks permission to issue \$35,000.00 of second mortgage seven percent notes due February 1, 1928, \$50,000.00 of seven percent preferred stock and \$30,000.00 of common stock. The record in this proceeding shows that applicant is a creditor of its principal stockholder. We are of the opinion that applicant should forthwith collect the amount due from its stockholders. Until this is done we will not authorize the issue of either notes or stock. As soon as the Commission is advised that the amount due from stockholders has been collected, the Commission will give further consideration to the issue of notes and stock.

In Application Number 10526 on which a hearing was had on October 24, 1924, applicant asked permission to issue \$150,000.00 of bonds and \$25,000.00 of notes. This request was superseded by the application now under consideration. It was stipulated that the Commission might consider, in the matter now before it, the evidence and record in Application No. 10526.

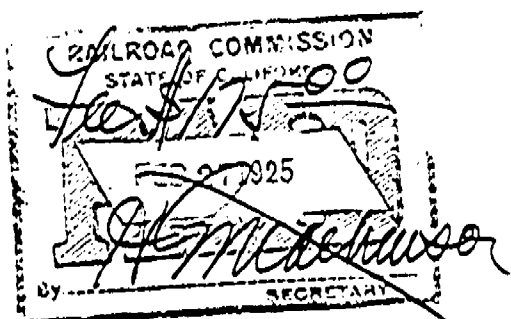
#### O R D E R

Davies Warehouse Company, having applied to the Railroad Commission for permission to issue bonds, notes and stock, a public hearing having been held before Examiner Fankhauser and the Railroad Commission having considered the request of the company and being of the opinion that the company should be authorized to issue the \$175,000 of bonds and that the authority to issue notes and stock should be held in abeyance, and that the money, property or labor to be procured or paid for through the issue of the bonds is reasonably required by applicant, and that the expenditures are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED as follows:-

1. Davies Warehouse Company upon being authorized by the Railroad Commission to execute a mortgage or deed of trust, to secure the payment of \$175,000 of 10-year seven percent bonds, and upon having paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$175.00, may issue, sell and deliver on or before August 1, 1925 at not less than 90 and accrued interest, \$175,000. of ten year seven percent bonds and use the proceeds to pay in part the cost of constructing a new warehouse and the cost of remodeling its existing warehouses and equipping said warehouses, referred to in this application.
2. Davies Warehouse Company shall keep such record of the issue, sale and delivery of the bonds 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.

DATED at San Francisco, California, this 26<sup>th</sup> day of February, 1925.



H. B. Brundage  
C. C. Seavey  
Ernest Shore  
George D. Squires  
Ernest Scott  
Commissioners.