

Decision No. 16744.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
SOUTH END WAREHOUSE COMPANY )  
for an order authorizing the issue )  
of stock and for mortgaging public )  
utility property. )

Application No. 12818

W. C. Sharpstein, for applicant.

BY THE COMMISSION:

O P I N I O N

In this application, as amended at the hearing, South End Warehouse Company, a corporation, asks permission to issue \$90,000. of common stock and \$100,000. of seven percent cumulative preferred stock for the purposes hereinafter indicated.

In the application, as originally filed, the company also asked permission to issue a \$200,000. six percent two year note secured by a mortgage on warehouse properties which it intends to acquire. Applicant, at the hearing had before Examiner Fankhauser on May 18th requested permission to amend its application by striking out its request for permission to mortgage public utility property and issue a two year note. This request was made for the reason that applicant has arranged to borrow \$200,000. on its note payable at not more than twelve months after date. Such a note may under Section 52 of the Public Utilities Act be issued by applicant without permission from the Commission.

South End Warehouse Company has an authorized stock issue of \$200,000. divided into \$100,000. of common and \$100,000. of seven percent cumulative preferred stock. The preferred stock may be redeemed at the option of the company at \$105. per share plus accrued and unpaid dividends if redeemed within one year from the date of issue, and at \$103. if redeemed after one year from the date of issue. The company now has outstanding only \$10,000. of common stock.

South End Warehouse Company is engaged in a general warehouse business in the City and County of San Francisco. It has been operating all of its warehouses under lease. The South End Warehouse is located at Townsend and Japan Streets, the California Warehouse at 631 Second Street, the Terminal Warehouse at #660 Third Street, the Vallejo Bonded Warehouse at Battery and Broadway Streets, and the Vallejo Free Warehouse at Battery and Broadway Streets.

During the past three years the company reports revenues and expenses as follows:-

Item	1925	1924	1923
Operating revenues . . . . .	\$156,570.77	\$178,825.01	\$181,738.89
Operating expenses . . . . .	156,070.31	159,831.35	161,567.04
Net Operating Revenue . . . . .	500.46	18,993.66	20,171.85
Non-operating revenue (Rent, interest, drayage, bottling, etc.) . . . . .	64,496.69	54,917.30	84,590.48
Gross income . . . . .	64,997.39	73,910.96	104,762.33
Deduct: Income tax. . . . .	11,032.05		
Profit for year. . . . .	\$53,965.34	\$73,910.96	\$104,762.33

As of December 31, 1925, the South End Warehouse Company reports its assets and liabilities as follows:-

<u>ASSETS</u>		<u>December 31, 1925.</u>
Good will . . . . .		\$12,541.79
Equipment . . . . .		7,427.59
Other assets. . . . .		1,900.00
Cash . . . . .		19,022.16
Notes receivable . . . . .		24,438.33
Accounts receivable . . . . .		70,051.02
Materials and supplies. . . . .		7,316.22
Prepayments . . . . .		1,660.07
Total Assets.....		<u>\$144,357.18</u>
<u>LIABILITIES</u>		
Capital Stock . . . . .	\$ 10,000.00	
Accounts payable. . . . .	2,263.95	
Reserve . . . . .	6,972.75	
Surplus . . . . .	125,120.48	
Total Liabilities.....		<u>\$144,357.18</u>

The testimony of George W. Lamb, president of South End Warehouse Company, shows that substantially all of the company's notes and accounts receivable are collectible and that its surplus represents earnings invested in its business. His testimony further shows that it is the intention of the company to issue \$90,000. of its common stock to reimburse its treasury on account of earnings invested in its properties and business and thereafter distribute the stock as a stock dividend. The company intends to sell \$100,000. of seven percent cumulative preferred stock at not less than par. Applicant's president believes that this stock can be sold by the company without the payment of any commissions. The company asks permission to use the proceeds obtained from the sale of the preferred stock to pay in part the cost of acquiring the warehouse properties located at #631 Second Street. The properties are more particularly described as follows:-

"Commencing at a point on the northeasterly line of 2nd Street distant thereon 137 feet 6 inches southeasterly from the southeasterly line of Brannan Street; running thence southeasterly and along said line of 2nd Street 137 feet 6 inches; thence at a right angle northeasterly 255 feet to the southwesterly line of Japan Street; thence at a right angle northwesterly and along said line of Japan Street 137 feet 6 inches; thence at a right angle southwesterly 255 feet to the point of commencement."

There is situate on the land which applicant intends to acquire, a five story warehouse building with outside dimensions of 137 feet 6 inches on both Second and Japan Streets and 255 feet deep. Applicant has been paying a monthly rent of \$2,500. for the land and warehouse building. It now desires to exercise an option and purchase the property for \$300,000. George W. Lamb testified that the purchase price of the properties was reasonable and that it is to the best interest of the South End Warehouse Company to acquire and own some of its warehouse buildings.

O R D E R

South End Warehouse Company having applied to the Railroad Commission for permission to issue \$90,000. of common stock and \$100,000. of seven percent cumulative preferred stock, a public hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of such stock is reasonably required by applicant and that this application should be granted, as herein provided, therefore

IT IS HEREBY ORDERED that the South End Warehouse Company be, and it is hereby, authorized to issue at not less than par on or before October 1, 1926, \$90,000. of its common stock for the purpose of reimbursing its treasury on account of earnings invested in its properties and business;

IT IS HEREBY FURTHER ORDERED that South End Warehouse Company be, and it is hereby, authorized to issue and sell on or before October 1, 1926 for cash at not less than par, \$100,000. of its seven percent cumulative preferred stock and use the proceeds to pay in part the cost of the warehouse properties described in the opinion which precedes this order.

IT IS HEREBY FURTHER ORDERED that this application insofar as it involves the issue of the \$200,000. note and the execution of a mortgage be, and the same is hereby, dismissed without prejudice.

IT IS HEREBY FURTHER ORDERED that the authority herein granted to issue stock will become effective when applicant has filed a certified copy of its amended Articles of Incorporation; and that 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 insofar as applicable, is made a part of this order.

DATED at San Francisco, California, this 19<sup>th</sup> day of May, 1926.

H. B. Brundage  
C. J. Seavey  
Frederick  
Leon Whitell

Commissioners.