

Decision No. 17748

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
LAWRENCE WAREHOUSE COMPANY,)
a corporation, to issue stock.)

Application No. 13297.

ORIGINAL

Sanborn and Roehl and DeLancey C. Smith,
by H. H. Sanborn, for applicant.

BY THE COMMISSION:

O P I N I O N

Lawrence Warehouse Company, in the above entitled application, has applied to the Railroad Commission for authority to issue and sell \$53,380.00 of its common capital stock for the purpose of providing additional working capital. The company reports that it has made arrangements to sell the stock for cash at par to the holders of common stock now outstanding.

Lawrence Warehouse Company is engaged in San Francisco and Oakland in the business of managing and operating warehouses, for compensation, and in performing services incidental to storing and warehousing merchandise.

It reports that it leases and operates the following warehouses:-

- (1) Standard Warehouses Nos. 1 to 5, on Fifth, Poplar and Kirkham Streets, Oakland; floor area 67,500 sq. ft.; Nos. 1 to 4 of brick construction; No. 5 of concrete construction; lease runs to August 31, 1942.
- (2) Warehouse No. 11, Fifth and Magnolia Streets, Oakland; floor area 4,000 sq. ft.; frame building owned by Lawrence Warehouse Company on land held under 99-year lease.
- (3) East End Warehouses Nos. 1, 2 and 3; floor area 50,760 sq. ft.; Nos. 1 and 2 galvanized iron buildings; No. 3 concrete buildings, saw tooth roof construction; lease runs to October 1, 1934.
- (4) Warehouse located at Southeast corner Second and Brannan Streets, San Francisco; floor area 104,430 sq. ft.; brick, heavy mill construction, sprinkler system; lease runs to April 1, 1935.
- (5) Warehouse at Nos. 37 and 39 Drumm Street, San Francisco; floor area 26,000 sq. ft.; brick building, Class "C" construction, sprinkler system; lease runs to February 15, 1943.
- (6) Warehouse located at Northeast corner Second and Brannan Streets, San Francisco; floor area 63,770 sq. ft.; reinforced concrete construction; sprinkler system; lease runs to July 31, 1932.
- (7) Warehouse known as Gibson Terminal Building, on block bounded by First, Webster, Water and Franklin Streets, Oakland, floor area 130,000 sq. ft.; reinforced concrete construction; automatic fire alarm system; lease runs to October 15, 1946.

The company was organized during July, 1913, and has an authorized capital stock of \$200,000.00 consisting of 20,000 shares of the par value of \$10.00 each divided equally into common and eight percent cumulative preferred stock. As of

August 31, 1926, \$109,510.00 of stock was outstanding consisting of \$62,890.00 of preferred and \$46,620.00 of common. The assets and liabilities as of the same date are reported as follows:-

ASSETS:

Property and equipment	\$147,691.97	
Leaseholds	152,100.00	
Cash	6,733.82	
Accounts receivable	132,706.52	
Notes receivable	6,846.85	
Miscellaneous investments	2,995.00	
Stock subscriptions	3,797.50	
Prepayments	17,252.70	
Printing and supplies.	4,972.03	
Goodwill	50,000.00	
Total Assets.		<u>\$525,096.39</u>

LIABILITIES:

Capital stock:		
Preferred	\$62,890.	
Common	46,620.	\$109,510.00
Stock subscriptions - preferred	5,700.00	
Notes payable.	48,851.00	
Dues affiliated companies.	20,509.45	
Purchase contracts	14,729.22	
Accounts payable.	16,046.88	
Accruals	12,418.90	
Notes discounted.	6,509.06	
Deferred revenue.	6,333.40	
Reserve for outward labor.	8,782.99	
Reserve for depreciation	51,777.84	
Capital surplus	160,460.50	
Earned surplus	63,467.15	
Total Liabilities		<u>\$525,096.39</u>

Under authority granted by Decision No. 17108, dated July 13, 1926, and by Decision No. 9129, dated June 21, 1921, as amended, the company is entitled to issue the remaining authorized but unissued preferred stock, amounting to \$37,110.00, on or

before December 31, 1926, to provide working capital. In a former proceeding, Application No. 12849, applicant asked permission to issue all the remaining authorized but unissued common stock, amounting to \$53,380.00, to reimburse its treasury and to pay a stock dividend. After hearing and consideration, however, the Commission made its order, (Decision No. 17108) permitting the issue of only \$45,800.00 of common stock. The authority to issue such stock has not become effective for the reason that the company has never filed for approval the stipulation referred to in said decision. Applicant now asks permission to issue and sell the total unissued stock of \$53,380.00, and use the proceeds for additional working capital.

In support of these requests, C. Hildreth, applicant's auditor and assistant secretary, testified that the growth of business necessitates additional working capital; that the company is compelled to advance sums to pay freight charges and other charges on goods stored; that about \$75,000.00 is usually tied up in accounts receivable; that the average period of collection of the accounts receivable is from seventy to eighty days; and that in his opinion about \$75,000.00 is needed for working capital.

As shown in the foregoing balance sheet, applicant on August 31st had \$109,510.00 of stock outstanding. Records on file in the office of the Commission indicate that of this amount \$99,510.00 was authorized to be issued for the purpose of paying outstanding indebtedness and of providing working capital. Further, under orders of the Commission now in effect, the company is entitled to issue \$37,110.00 more of preferred stock to provide additional working capital. The record in this

proceeding shows outstanding notes payable of \$48,851.00, amounts due affiliated companies of \$20,509.45, purchase contracts of \$14,729.22 and accounts payable and other indebtedness of \$34,974.84. In passing on this application to issue additional stock, we believe that all the proceeds received by applicant from the sale of stock, the issue of which is herein authorized, should be applied specifically to the payment of outstanding indebtedness.

An order will be entered accordingly.

O R D E R

Lawrence Warehouse Company having applied to the Railroad Commission for permission to issue stock, a public hearing having been held before Examiner Fankhauser, and the Railroad Commission being of the opinion that the application should be granted as herein provided, and that the money, property or labor to be procured or paid for is reasonably required for the purpose specified herein, and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED that Lawrence Warehouse Company be, and it hereby is, authorized to issue and sell, on or before June 30, 1927, for cash, at not less than par, \$53,380.00 of its common capital stock, and to use the proceeds to pay in part the outstanding indebtedness to which reference is made in the foregoing opinion.

IT IS HEREBY FURTHER ORDERED that the authority

herein granted will become effective upon the date hereof and further, that applicant shall keep such record of the issue and sale 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 11th day of December, 1926.

H. B. Brundage
O. Searcy
Emmett
Leon C. Whittell
Thos. D. Powell

Commissioners.