

LEM

Decision No. 17882.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 DAVIES WAREHOUSE COMPANY,)
 for order authorizing the issuance)
 of first mortgage leasehold seven)
 percent sinking fund gold bonds to)
 the face 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 \$30,000.00.)

Application No. 10767

BY THE COMMISSION:

FOURTH SUPPLEMENTAL ORDER

In the above entitled application filed with the Commission on January 21, 1925, Davies Warehouse Company asked permission to issue \$175,000.00 of seven percent ten year bonds, \$35,000.00 of notes payable, \$50,000.00 of seven percent cumulative preferred stock and \$30,000.00 of common stock.

The Commission, in passing on the application, in Decision No. 14604, dated February 26, 1925 and Decision No. 16017, dated February 19, 1926, authorized the issue and sale of the \$175,000.00 of bonds and of \$30,000.00 of preferred stock and \$30,000.00 of common stock, subject among others to the condition that none of the stock be issued until applicant has collected all amounts due from its stockholders. Under the authority granted the bonds were issued and sold. It appears that none of the stock authorized was issued and permission to do so expired on November 30, 1926.

Applicant now reports that the indebtedness due it from its president, Charles T. B. Jones, has been cancelled by the surrender to it of \$15,000.00 of its capital stock on July 27, 1926 and the further surrender of \$7,500.00 of stock on December 1, 1926. It

is said that certificates representing such stock have been transferred to R.M.Farrar, trustee for Davies Warehouse Company, to be sold for its account. Through the surrender of the stock, \$22,500. of indebtedness was cancelled, leaving \$1,219.72 still due from Charles T. B. Jones. The \$1,219.72 is represented by a note signed by Charles T.B.Jones and his wife, Lillian B. Jones. We believe that the account of Charles T. B. Jones should be credited with the proceeds realized from the sale of the stock which he surrendered and not with the par value of such stock.

In a supplemental petition filed in this matter on December 27, 1926, the company asks for an order authorizing it to issue and sell \$40,000.00 of the seven percent preferred stock and \$20,000. of the common stock and to use not to exceed twenty percent of the proceeds to pay selling expenses and to use the remaining proceeds to liquidate indebtedness due the Hammond Lumber Company, to meet sinking fund payments and to provide itself with working capital.

It appears that in order to finance the cost of a new warehouse the company became indebted to Hammond Lumber Company in the sum of \$35,000.00 due March 1, 1926, of which \$32,000.00 is now unpaid. The lumber company now is demanding payment of this balance. Further, under the terms of the mortgage securing the payment of the \$175,000.00 of bonds authorized to be issued by Decision No. 14604, the company is required to deposit on February 1, 1926, and on the first day of each month thereafter until all the bonds have been paid, the sum of \$900., which sums must be used by the trustee to redeem bonds at not exceeding 105 percent of face value plus accrued interest.

The company asks permission to use twenty percent of the par value of the stock sold to pay selling expenses. In our opinion the company should not use more than fifteen percent of the proceeds realized from the sale of the stock to pay stock selling expenses. In our opinion the money, property or labor to be procured or paid for through the issue of the stock is reasonably required for the

purposes specified and we believe the request should be granted, as provided herein, therefore,

IT IS HEREBY ORDERED that Davies Warehouse Company be, and it hereby is, authorized to issue and sell for cash at not less than par on or before June 30, 1927, \$40,000.00 of its seven percent cumulative preferred stock and \$20,000.00 of its common stock and to use not exceeding fifteen percent of the par value of stock sold to pay commissions and expenses incident to the sale of the stock and to use the remaining proceeds, and such portion of the fifteen percent not needed to pay commissions and expenses incident to the sale of the stock, to liquidate the indebtedness due Hammond Lumber Company, to meet sinking fund payments and to provide itself with working capital.

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.

IT IS HEREBY FURTHER ORDERED that Davies Warehouse Company reverse its Journal Entry of July 27, 1926, and its Journal Entry of November 30, 1926, whereby Charles T. B. Jones was credited with the face value of the stock which he turned over to R.M. Farrar as trustee for Davies Warehouse Company to be sold for its account, and that he be credited with the proceeds realized from the sale of such stock.

DATED at San Francisco, California, this 12th day of January, 1927.

Emmanuel
R. B. ...
C. ...
Leon ...
Thos. ...

Commissioners.