

Decision No. 25742

**ORIGINAL**

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
BIRCH-SMITH STORAGE COMPANY, )  
a corporation, for authority to issue )  
capital securities, and for permission )  
to operate a storage warehouse business ) Application No. 18705  
and to take over the permit now issued )  
to A. OTIS BURCH. )

Moote & Longcroft, by F. D. R. Moote,  
for applicants.

BY THE COMMISSION:

O P I N I O N

In this application the Railroad Commission is asked to make an order authorizing Birch-Smith Storage Company, a corporation, to issue \$75,000.00 of common capital stock in consideration of the transfer of certain assets of Birch-Smith Furniture Company, and authorizing A. Otis Birch to transfer to Birch-Smith Storage Company his warehouse operating rights.

It appears that A. Otis Birch for some time has been engaged in operating a warehouse for the storage of household goods and for public utility storage at 3525-31 South Grand Avenue, Los Angeles. The properties in which the business is conducted are owned by Birch-Smith Furniture Company but are operated by Mr. Birch under a three year lease commencing January 1, 1931. The authority to conduct the public utility warehouse operation and to execute the lease was granted to Mr. Birch by the Commission by its Decision No. 23225, dated December 30, 1930, in Application No. 17028.

The application shows that arrangements now have been made whereby Birch-Smith Furniture Company and A. Otis Birch will transfer their properties, right and business to the new corporation, Birch-Smith Storage Company, which has been formed for the purpose of acquiring them and conducting the business. In Exhibit "B" filed in this proceeding, the assets to be thus transferred and the liabilities to be assumed by the purchasing corporation, as of December 30, 1932, are described as follows:-

A S S E T S

|  |                        |                     |
|--|------------------------|---------------------|
| Cash . . . . .                                   |                        | \$425.00            |
| Accounts receivable . . . . .                    |                        | 37,024.98           |
| Property and equipment:                          |                        |                     |
| Hill Street store and office equipment . . . . . | \$39,782.48            |                     |
| Hill Street building . . . . .                   | 98,955.88              |                     |
| Grand Avenue Building . . . . .                  | 221,099.72             |                     |
| Grand Ave. Land . . . . .                        | 20,048.92              |                     |
| Grand Ave. equipment . . . . .                   | 16,648.66              |                     |
| Delivery equipment . . . . .                     | 37,748.03              |                     |
| Total . . . . .                                  | <u>434,283.69</u>      |                     |
| Less depreciation reserve . . . . .              | <u>176,114.58</u>      | 258,169.11          |
| Prepaid expenses . . . . .                       |                        | 2,861.10            |
|  | Total assets . . . . . | <u>\$298,480.19</u> |

L I A B I L I T I E S

|  |                     |
|--|---------------------|
| Mortgage payable-Citizens Bank . . . . . | \$100,000.00        |
| Due A. O. Birch . . . . .                | 48,500.00           |
| Due J. O. Smith . . . . .                | 641.31              |
| Interest and taxes payable . . . . .     | 8,911.01            |
| Total liabilities . . . . .              | <u>\$158,052.32</u> |
| Capital . . . . .                        | 140,427.87          |
| Total . . . . .                          | <u>\$298,480.19</u> |

The Grand Avenue properties, where the public utility business is conducted, consist of a nine story Class "A" reinforced concrete building having a floor space of 100,000 square feet and a capacity of 900,000 cubic feet. The Hill Street property is a store and office building on leased property formerly used by the Birch-Smith Furniture Company in its non-utility operations. This building, we are advised, will not be used for public warehousing. Applicants

alleged that the balance sheet figures represent the actual cost to the present owners.

In acquiring the properties, the purchasing company will assume the payment of outstanding indebtedness. This includes a short term note for \$48,500.00, without interest, in favor of A. O. Birch, and a mortgage to Citizens Bank on the Grand Avenue properties in the principal amount of \$100,000.00, dated October 1, 1929, and due on October 1, 1932, with interest at the rate of seven per cent.

It appears to us, from a review of the application and an examination of the financial reports of A.O.Birch, that the assets and earnings to be acquired by Birch-Smith Storage Company are ample to support the proposed \$75,000.00 stock issue and an order authorizing the same accordingly will be entered. In approving the transaction, we wish to place the purchaser upon notice that if at some future time it desires to renew, in whole or in part, the \$100,000.00 mortgage indebtedness which is now past due, it will be necessary for it first to file a formal application with the Commission and receive an order permitting it to do so.

Permission is sought by A. Otis Birch to cancel the lease he holds on the so-called Grand Avenue properties. However, upon acquisition of the operations and properties by Birch-Smith Furniture Company, this cancellation can be accomplished without an order from the Commission and accordingly there seems to be no necessity of passing on that portion of the application.

#### ORDER

Birch-Smith Storage Company having applied to the Railroad Commission for permission to issue \$75,000.00 of stock, and A. Otis Birch having applied for permission to transfer his warehouse

operating right, and the Commission being of the opinion that this is not a matter in which a public hearing is necessary, that the application should be granted as herein provided and that the money, property or labor to be procured or paid for through the issue of such stock is reasonably required for the purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED, that A. Otis Birch be, and he hereby is, authorized to transfer to Birch-Smith Storage Company, a corporation, his public utility warehouse operating right and business in the City of Los Angeles.

IT IS HEREBY FURTHER ORDERED, that Birch-Smith Storage Company, a corporation, be, and it hereby is, authorized to issue not exceeding \$75,000.00 of its common capital stock in part payment for the properties of Birch-Smith Furniture Company, referred to in the foregoing opinion, and to agree and assume to pay liabilities as set forth in the balance sheet of December 30, 1932, appearing in said opinion, of approximately \$158,000.00 in connection with the acquisition of such properties.

The authority herein granted is subject to the following conditions:-

1. The consideration to be paid for the property to be transferred shall never be urged before this Commission or any other public body as a measure of value of said property for rate fixing or any purpose other than the transfer herein authorized.
2. A. Otis Birch shall immediately unite with Birch-Smith Storage Company in common supplement to the tariffs on file with the Commission in the name of A. Otis Birch, the former on the one hand withdrawing and the latter on the

other hand accepting and establishing such tariffs and all effective supplements thereto.

3. The rights and privileges herein authorized to be transferred may not be sold, leased, transferred nor assigned, nor service thereunder discontinued, unless the written consent of the Railroad Commission to such sale, lease, transfer, assignment or discontinuance has first been secured.
4. Birch-Smith Storage Company shall keep such record of the issue of the stock herein authorized as will enable it to file within thirty(30) days thereafter, 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.
5. The authority herein granted will become effective fifteen(15) days after the date hereof.

DATED at San Francisco, California, this 20<sup>th</sup> day of March, 1933.

O. C. Leary  
Leon Schubert  
W. P. Lee  
W. B. Harris  
W. H. Brown

Commissioners.