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Decision No. _____

ORIGINAL

Decision No. 2925

BEFORE THE RAILROAD COMMISSION OF
THE STATE OF CALIFORNIA.

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| In the Matter of the Application of ALPAUGH WAREHOUSE AND MILLING COMPANY for authority to issue stock and to mortgage its proper- ty. |) | <u>Application</u> |
| |) | <u>No. 1948.</u> |

BY THE COMMISSION.

O P I N I O N

This is an application on behalf of ALPAUGH WAREHOUSE AND MILLING COMPANY, hereinafter referred to as the "warehouse company" for permission to issue 170 shares of stock of the par value of \$5.00 per share and to mortgage its property to J. E. Keep for \$2,750.00.

From the evidence it appears that applicant is a corporation organized during the early part of this year by ten inhabitants of the Town of Alpaugh, Tulare County, who felt that their community needed a warehouse.

The warehouse company's articles of incorporation provide for an authorized capital stock of

\$10,000.00 divided into 2,000 shares of the par value of \$5.00 each. Each of said organizers subscribed and paid for 17 shares of the company's capital stock at par, which gave the warehouse company a total working capital of \$850.00. Out of this amount the company paid its incorporation expenses and fees and also paid \$750.00 cash for a parcel of land at Alpaugh of nearly ten acres, having a frontage of approximately a quarter of a mile upon the Santa Fe Railroad track.

The warehouse company thereafter proceeded to erect upon said land a corrugated iron warehouse 50 x 144 feet at a total cost of approximately \$5,075.00, \$2,700.00 of which was paid for in cash and approximately \$575.00 of which is still due from the warehouse company for labor contributed upon the understanding that it would be paid for out of the profits that the warehouse company was expected to make.

In return for the \$85.00 subscribed by each of the ten organizers, whose names are set forth in the following order, the warehouse company issued to each of them seventeen shares of the company's capital stock, and the company further borrowed \$2,750.00 from J. E. Reep and in return executed to ^{one-year} him a note for said amount, bearing interest at the rate of eight per cent. per annum, and a mortgage securing the same. It further appears from the evidence that the warehouse company cannot borrow

money at a lower rate of interest than eight per cent.

The warehouse company did not obtain permission from this Commission to issue any of said stock. The evidence clearly showed, however, that neither the warehouse company nor any of its officers or stockholders wilfully or intentionally violated the law in attempting to issue said stock, but that they proceeded in good faith without any realization that it was necessary for them to obtain the permission of this Commission to issue the same.

The evidence further showed that the warehouse was built as carefully and economically as applicant's officers could build it, and that it is being operated at a low overhead cost. The only officer who receives any compensation is Mr. W. A. Settle, the company's secretary, who also acts as its general manager. When working in the warehouse he receives the sum of \$2.50 for each day of nine hours of such work. Otherwise he receives no compensation.

The rates charged by the warehouse company are:

- \$1.00 per ton for the season, ending May 31st.
- .40 per ton for grain stored temporarily (to be sold during the fall)
- .25 per ton for loading cars through the warehouse.

The officers of the warehouse company had very little idea as to their probable profits or ex-

penses, as this is their first season of operation. They now have approximately 950 tons of grain in their warehouse, upon almost all of which they expect to collect the seasonal rate.

We find that the subscriptions of the stockholders and the loan of Mr. Reep were both made in good faith and that the money so received by the company was used for the acquisition of property and for the construction of its warehouse.

It is not necessary for a warehouse company to obtain authorization from this Commission to execute a mortgage, but it is necessary for it to obtain such authorization to issue a three-year note, whether secured by a mortgage or not.

O R D E R

ALPAUGH WAREHOUSE AND MILLING COMPANY having applied for an order authorizing the issue of 170 shares of its capital stock to the original subscribers for the same, whose names are hereinafter set forth, and the issue of its promissory note in the sum of \$2,750.00 and the execution of a mortgage securing the same to J. E. Reep,

And a public hearing having been held on said application and the Railroad Commission finding that applicant has received the sum of \$85.00, the

par value of seventeen shares of said capital stock, from each of the men whose names are hereinafter set forth, in payment of their subscriptions for said stock, and that the said applicant has received the sum of \$2,750.00 as a loan from said J. E. Reep;

And the Commission further finding that the purposes for which said funds were used were not in whole or in part reasonably chargeable to operating expenses or to income, and that the application should be granted,

IT IS HEREBY ORDERED that Alpaugh Warehouse and Milling Company be, and the same is hereby, authorized to issue seventeen shares of its capital stock of the par value of \$5.00 each to each of the following subscribers:

J. L. Adams,
J. C. Foss,
William T. Holton,
A. L. McCulloch,
E. C. Porter,
J. E. Reep,
W. S. Reep,
Frank N. Reep,
N. Scilling, and
W. A. Settle.

And Alpaugh Warehouse and Milling Company is further authorized to issue its promissory note to J. E. Reep for \$2,750.00, said note to be secured by a mortgage by said warehouse company to said J. E. Reep and to be payable three years from the date of its issue and to bear interest at the rate of eight per cent. per annum.

The authority herein given is given on the following conditions and not otherwise, to wit;

1. Alpaugh Warehouse and Milling Company shall not issue or deliver any of said stock until all of the certificates for said 170 shares of said stock which said company has illegally issued shall have been returned to said company and cancelled by it.

2. Alpaugh Warehouse and Milling Company shall not execute said note to J. E. Reep until said J. E. Reep shall have cancelled and returned to said company the note heretofore issued to him by said warehouse company dated June 1, 1915.

3. Alpaugh Warehouse and Milling Company shall report to the Railroad Commission within twenty days after the issue of the respective certificates of stock and the note hereby authorized, the face value of the same, the rate of interest on said note and the application of the proceeds, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

4. The stock and the note herein authorized to be issued or executed shall be issued or executed on or before June 30, 1916.

5. This order shall not become effective until Alpaugh Warehouse and Milling Company shall have

paid the fee specified in Section 57, as amended, *18400*
of the Public Utilities Act.

Dated at San Francisco, California, this *22nd*
day of November, 1915.

Max Thelem
H. H. ...
James R. ...
Commissioners.

Railroad Commission State of California
Fee 25.00
NOV 29 1915
BY *A. H. Mathewson*
Assistant Secretary