

The warehouse company has just been organized, with a capital stock of \$25,000, divided into 250 shares of the par value of \$100 each, of which three shares have been issued for the purpose of incorporation.

The company was formed for the purpose of taking over and conducting the business formerly carried on under the name of "Corcoran Mill and Warehouse" by Mr. F. A. Cleveland, which was sold by him to A. G. Chatom on the 28th of last August under a certain agreement set forth in Exhibit A, attached to the application herein. By the terms of said agreement said Cleveland sold to Chatom a galvanized iron warehouse building 50 x 196 feet, together with a platform on the east of 24 x 196 feet and a platform on the west of 8 x 196 feet, and certain machinery, fixtures, appurtenances and equipment connected therewith or installed in or on the premises, together with certain contracts and leases, the benefits of which were transferred to, and the burdens assumed by, the purchaser.

The purchase price for said property was \$10,000, payable as follows: \$2,500 in cash and Mr. Chatom's agreement to pay the balance in three equal annual installments. To assure the vendor the payment of this balance, in accordance with the terms of said agreement, Mr. Chatom further gave him three of his promissory notes of \$2,500 each, payable in one, two, and three years, respectively, bearing interest

at the rate of eight per cent. per annum and secured by South San Joaquin Irrigation District bonds, of a total face value of \$15,000.

Mr. Chatom now proposes to assign to the warehouse company all the rights he has acquired under said agreement of sale from F. A. Cleveland in consideration of the said warehouse company paying said Chatom the sum of \$2,500, as reimbursement for the money actually advanced by him, and the further consideration of the warehouse company assuming all the obligations of said Chatom under said agreement. The warehouse company desires to use \$2,500 of the proceeds from the sale of its stock in making this payment to Chatom, and to use the remaining \$17,500 as working capital in the various lines of private activities heretofore operated by said Cleveland, including the purchase and sale of hay, grain and other commodities, both as a principal and as a broker. In other words, the warehouse company has asked this Commission to authorize it to issue and sell \$20,000 par value of its capital stock and to use one-eighth of the proceeds thereof on account of the purchase price of the above-mentioned warehouse property, and the other seven-eighths in its non-public utility businesses. It is true that the warehouse company would ultimately expect to withdraw \$7,500 of this amount from its outside enterprises and use it for the payment of the balance due upon the balance of said purchase price.

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but at the outset it wishes permission to use all
but \$2,500 in ^{public utility} private enterprises.

The warehouse is built upon land of The Atchison, Topeka and Santa Fe Railway Company and is served by a spur track belonging to the railway company. The land was originally leased to Cleveland for the term of one year, which lease has been annually renewed for a number of years. According to the evidence, this is the only sort of a lease that The Atchison, Topeka and Santa Fe Railway Company will give upon any of its property in this vicinity and applicant seems to feel assured that the railway company will continue to renew this lease indefinitely.

According to Mr. Chatom's testimony, the physical property that was purchased from Mr. Cleveland is worth at least \$10,000, irrespective of any alleged intangible values, such as the alleged value of good-will, contracts and leases. As Mr. Chatom has agreed to buy the entire issue of \$20,000 of the capital stock at par and as he is willing to turn over to the warehouse company his contract with Cleveland at cost, we feel that we should assist the warehouse company as far as we can properly do so; and accordingly we shall authorize the warehouse company to execute the proposed contract with A. G. Chatom, assuming both his rights and his liabilities under his contract with Cleveland, and we shall further au-

thorize the issue and sale by the warehouse company of \$2,500 par value of its capital stock at the present time and sufficient additional stock from time to time to make the necessary payments thereunder. Said proposed contract between the warehouse company and Chatom constitutes, by its terms, an evidence of indebtedness maturing more than one year after its date; ~~this Commission's authorization to~~ otherwise its execution would not have to be authorized by this Commission.

As to authorizing the issue and sale of \$17,500 of stock for the purpose of supplying the warehouse company with a revolving fund with which to conduct a private business, however, we can not grant that portion of applicant's petition. This Commission has consistently encouraged and recommended corporations doing mixed businesses to separate their public utility from their non-public utility businesses. There are cases in which it may not be feasible for old established companies which may be conducting both classes of business to separate the two, although the inconveniences and disadvantages ~~of such~~ a combination are so great that a number of such companies have already effected such separations. When a new company is being formed, however, we should be very slow indeed to authorize it to enter upon a course which experience has shown to be far from satisfactory both to the companies and to

this Commission; for obviously the logical time to make such separation is at the outset.

This point was raised at the hearing but counsel for applicant strongly urged that his client was asking for no more than had been granted by this Commission under the decisions in connection with the application of Southern Pacific Milling Company, reported in Vol. 5, Opinions and Orders of the Railroad Commission of California, p. 630, and the application of Farmers' Warehouse Company, reported in Vol. 3, Opinions and Orders of the Railroad Commission of California, p. 661. An examination of these decisions, however, shows that they are both clearly distinguishable from the present application; for in each of those cases the applicant was an old, established company, and in the case of the Farmers' Warehouse Company it was actually endeavoring to separate, as far as practicable, its private business from its public utility business.

O R D E R

CORCORAN MILL AND WAREHOUSE, a corporation, having applied to this Commission for an order authorizing the issue of \$20,000 par value of its capital stock at par, the proceeds of which applicant desires to use as follows:

\$2,500 as the initial payment upon the purchase price of the warehouse building and other property set forth in the foregoing Opinion, and

\$17,500 as the working capital for various other lines of business, including the purchase and sale of hay, grain and other commodities both as a principal and as a broker.

And said Corcoran Mill and Warehouse having further applied for an order authorizing the execution of a certain agreement of purchase of the warehouse and other property described in the foregoing Opinion;

And a public hearing having been held on said application, and the Railroad Commission finding that the purposes for which the proceeds of the capital stock hereinafter authorized to be issued are to be used are not in whole or in part reasonably chargeable to operating expenses or to income, and that the application, subject to the modifications hereinafter set forth, should be granted in part:

IT IS HEREBY ORDERED that Corcoran Mill and Warehouse, a corporation, be, and the same is hereby, authorized to issue 100 shares of its capital stock of the total par value of \$10,000.

AND IT IS FURTHER ORDERED that Corcoran Mill and Warehouse be, and the same is hereby, authorized to execute a certain agreement with A. G. Chatom, substantially in the form and substance (with the exception of the dates) of the proposed agreement, marked "Exhibit C" and annexed to the

warehouse company's supplemental application.

The authority herein granted is granted upon the following conditions, and not otherwise:

1. Corcoran Mill and Warehouse shall issue \$2,500 par value of said capital stock as soon after the date of this Order as practicable, and the remaining \$7,500 of said stock as the proceeds may be wanted by the warehouse company from time to time for application upon said contract between the warehouse company and A. G. Chatom, above referred to.

2. Said stock herein authorized shall be sold so as to net said warehouse company not less than par.

3. The proceeds of the issue and sale of said stock shall be used solely for the purpose of buying the warehouse and the properties connected therewith under the terms of the agreement between applicant and A. G. Chatom, as hereinbefore authorized.

4. The stock herein authorized to be issued shall be issued on or before December 31, 1918.

5. Corcoran Mill and Warehouse shall keep a true and accurate record of the issue of said stock and shall, on or before the 25th day of the month following the said issue of said stock, make a report to this Commission, setting forth the disposi-

tion of such stock, the consideration received there-
for and the application of the proceeds.

Dated at San Francisco, California, this 24th
day of December, 1915.

Max Thelen

Howard

W. G. Ford

Frank R. Dyer

Commissioners.