

Decision No. _____.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

Decision No. 32017

In the matter of the application of)
LOMPOC WAREHOUSE COMPANY, a corpora-) Application No. 2068.
tion, for an order authorizing the)
issue of stock.)

J. F. Frick for applicant.

BY THE COMMISSION.

O P I N I O N.

This is an application on behalf of Lompoc Warehouse Company of Lompoc, Santa Barbara County, for an order authorizing the issue of 38,700 shares of its capital stock of the par value of \$1.00 per share in lieu of a similar amount of stock which applicant has heretofore attempted to issue without the consent of this Commission.

A public hearing was held at Lompoc on March 16, 1916. From the evidence it appears that applicant was incorporated in October, 1912. Its articles of incorporation provide for a total capital stock of 50,000 shares of the par value of \$1.00 per share, all of which is common stock, and they further state that the purposes for which the corporation is formed are "to do and transact a general warehouse business; buying and selling grain, produce and merchandise; also to do and transact a general commission and brokerage business; buying, selling and leasing real estate".

Applicant has been, since its organization, engaged in a general warehouse business in Lompoc storing beans, mustard seed, barley, oats, potatoes and onions, and in connection therewith has been operating a cleaning plant and a barley rolling mill, and has been buying and selling produce on its own account.

Upon its incorporation in 1912, applicant sold 35,200 shares of its capital stock at par for cash, the proceeds of which were applied by applicant as follows:

Real Estate and Improvements	\$20,000.00
Bags and Twine	2,184.56
Construction of cleaner plant	3,000.00
Barley mill	2,000.00
Beans	2,913.60
Barley, oats, and other products	2,227.52
Cash retained for current expenses	<u>2,874.32</u>
Total	\$35,200.00

In addition to the stock sold for cash applicant issued 3,500 shares to a local association known as the Seed Growers Association for the latter's "good will" and organization. It appears that this unincorporated association was organized for the purpose of launching and operating a warehouse business by seventy individuals, mostly farmers, living in Lompoc and its vicinity, each of whom contributed \$50.00 to the association. It was soon found that the \$3,500.00 so raised was entirely inadequate, and before long little was left to the association but its organization. Upon the incorporation of applicant, however, the members of the Seed Growers Association, feeling that applicant was an outgrowth of their efforts, contended that they ought to receive an amount of applicant's capital stock equal in par value to the amount of cash which they had contributed to the association; and accordingly applicant finally issued 50-share certificates to each of the 70 members of the association.

The evidence further shows that although all of this stock was issued without the authority of this Commission, both applicant and the purchasers acted throughout in good faith, and until the latter part of 1915 they never knew that it was necessary for applicant to obtain the authority of this Commission before issuing stock.

Applicant's real estate consists of 28 lots 25 by 140 feet each, upon which are erected one so-called double warehouse 95 by 300 feet and one single warehouse 65 by 100 feet. Both warehouses are of wooden frame construction with wooden floors and with walls 12 feet high. They adjoin the right of way of the Southern Pacific Company and are served by a spur track 600 feet long, built on the railway company's right of way but at the warehouse company's expense.

Applicant's equipment includes one wagon scale, two dormant scales, three platform scales, a barley rolling mill, a double cleaner plant operated by a 20 h.p. gasoline engine, a piler operated by a 2½ h.p. gasoline engine, and a hoist operated by a 2½ h.p. gasoline engine, in addition to trucks, bags, twine and other articles generally used in operating warehouses.

Since the first of this year applicant has paid off \$20,000.00 of promissory notes then outstanding and has now no notes, mortgages or other indebtednesses. It has never declared any dividends but its officers testified that the reason for this was that they were reinvesting the company's profits, and they further testified that the stock was, in their opinion, worth more than par. The Company has at present 44 stockholders. All of the stockholders, as well as the public, are apparently satisfied with the present management.

Under all the circumstances of this case we feel that the application should be granted.

O R D E R.

LOMPOC WAREHOUSE COMPANY having applied to this Commission for an order authorizing it to issue 38,700 shares of its capital stock, of the par value of \$1.00 each, to the holders of certificates for similar amounts of stock which have been illegally issued by applicant, and a public hearing having been held and it appearing that the purposes for which said stock is to be issued are 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 Lompoc Warehouse Company be and the same is hereby authorized to issue 38,700 shares of its capital stock of the par value of \$1.00 per share to the present holders of the certificates of said company's capital stock heretofore illegally issued.

The authority herein granted is granted subject to the following conditions and not otherwise:

1. The stock herein authorized to be issued shall be issued only upon the return to and cancellation by applicant of the certificates for similar amounts of applicant's capital stock heretofore illegally issued by applicant.

2. The authority herein given to issue said stock applies to such stock as shall have been issued on or

before October 31, 1916.

3. Lompoc Warehouse Company 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 verified report to this Commission, setting forth the disposition of such stock, the conditions of such disposition and for what purposes the same was issued, 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.

Dated at San Francisco, California, this 29th day of March, 1916.

Max Thelen

H. S. Loveland

Alv. Gordon

TRUE COPY
SECRETARY
CALIFORNIA COMMISSION
SAN FRANCISCO, CALIFORNIA

Commissioners.