

Decision No. 5661

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

---oOo---

In the matter of the application of)
LANCASTER FEED AND FUEL COMPANY for)
an order authorizing the issue of) Application No. 3721.
62 shares of common stock of the par)
value of \$100 per share.)

Laurence L. Larrabee for applicant.

BY THE COMMISSION:

O P I N I O N

Lancaster Feed and Fuel Company applies for authority to issue 62 shares of its common stock at the par value of \$100 each and for an order authorizing certain changes in its rates for warehousing grain, almonds, honey, honey cases, apples and pears. The application concerning rates has been disposed of by informal proceeding.

A public hearing upon the application to issue stock was held by Examiner Westover at Los Angeles on June 19th, 1918.

Applicant's business, which is located at Lancaster, Los Angeles County, consists principally in buying and selling grain, coal, wood and mill stuffs, its warehouse business both as to investment and earnings

constituting a comparatively small part of its business. Of its assets as of April 1, 1918, totaling \$27,341.55 depreciated, \$4,070.97 represents its frame warehouse building and equipment, and the remainder its non public utility business. Its gross revenue from its warehouse business for 1917 was shown by its annual report to be \$1,367.51 and its warehouse expenses \$1,254.99, showing a net revenue of \$112.52 from warehouse business.

Applicant wishes to issue 32 shares of its stock at par to its present stockholders in proportion to their present holdings in lieu of a distribution of surplus, which is shown by its annual report for 1917 to be \$3,532.26 and in its balance sheet of June 1, 1918 as \$3,542.49. Its annual reports show that but \$1,806.67 of this surplus has been earned since applicant was organized in March, 1915 and bought the business in question.

The other 30 shares it wishes to issue at par for cash to purchasers already secured and use the proceeds, so far as necessary, for installing improvements of the estimated cost of \$3,000.00, to be used in connection with its grain and feed business and not used in connection with its warehouse activities, and use the balance thereof, if any remains, for working capital.

The proposed improvements and their estimated costs are as follows:

Barley rolling plant	\$1500.
Iron clad building to house plant . .	700.
Additional hay loading platform . . .	500.
Additional equipment for storing hay .	
in its feed business	<u>300.</u>
Total	\$3000.

The reason assigned for wishing to retain

\$5,200.00 as working capital by the issue of stock against it in lieu of dividends, is that the growth of applicant's grain and feed business, the increasing cost of the goods in which it deals and the amounts necessarily carried on open accounts considered good, make it desirable to have increased working capital. The plan in contemplation of applicant, however, does not in fact bring into the business any new capital, but merely retains that accumulated as surplus. This surplus can be retained in the business just as effectively without issuing stock against it, but by merely refraining from distributing it in dividends.

For the reasons expressed, we do not at this time authorize the issue of the 32 shares. Authority to issue 30 shares will be found in the order.

In view of the fact that only a portion of applicant's business is subject to the regulation and control of the Commission we suggest that it may prove desirable to applicant to conduct its public utility business entirely separate from its other business.

O R D E R

LANCASTER FEED AND FUEL COMPANY having applied to the Railroad Commission for authority to issue 62 shares of its capital stock at the par value of \$100 per share, a hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for by the issue of 30 shares (\$3,000) is reasonably required for the purpose or purposes specified in the order, and that the expenditures for such purpose or purposes are not in whole or in part reasonably charge-

able to operating expenses or to income;

IT IS HEREBY ORDERED that Lancaster Feed and Fuel Company be, and it is hereby, granted authority to issue and sell for cash at not less than par \$3,000 of its common capital stock upon the following conditions:

- (1).-- The proceeds obtained from the sale of the stock herein authorized shall be used by applicant for the following purposes.

To acquire barley rolling plant.....	\$ 1,500.00
To construct iron-clad building to house plant.....	700.00
To construct additional hay-loading platform.....	500.00
Additional equipment for storing hay in its feed business.....	300.00
Total.....	<u>\$ 3,000.00</u>

- (2).-- On or before the twenty-fifth day of each month applicant shall file with the Railroad Commission such statements as are required by the Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

- (3).-- The authority herein granted shall apply only to such stock as may be issued on or before November 30, 1918.

Dated at San Francisco, California, this 10th August day of 1918.

Edwin C. Edgerly
W. D. Loveland
W. J. Ford
Frank R. Derby
Commissioners.