

Decision No. 808

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

Decision No. 808

In the matter of the application of SACRAMENTO WAREHOUSE COMPANY for an order authorizing the issue of stock of the par value of \$200,000.

Application No. 502.

Frank J. O'Brien for applicant.

WHELEN, Commissioner.

OPINION.

This is an application for an order authorizing the issue of common capital stock of the par value of \$200,000 for the purpose of purchasing a site and erecting thereon a six-story and basement steel frame and concrete warehouse building in the city of Sacramento.

Applicant was incorporated under the laws of this State on March 24, 1915, for the purpose of operating, managing and owning warehouses and of engaging in the general warehouse and cold storage business. The principal place of business of the corporation was stated to be Sacramento, California. The articles of incorporation specified the capital stock to be 20,000 shares of the par value of \$10.00 each, being a total par value of \$200,000. Of the capital stock so authorized none except one share/each to qualify each of the five directors has been issued. No bonded or other indebtedness has been incurred.

Applicant's witnesses testified that, in their opinion, there is a very good field for a large fireproof warehouse in the city of Sacramento. They stated that there is at present no fireproof warehouse in the city, and that the existing warehouses, all of which are of one and two stories only, are inadequate to handle the business. Applicant has made a canvass of the situation and has assurances of being able to rent one entire floor for furniture storage, the

basement for cold storage purposes, and several stories for hops and possibly one floor for automobile and general merchandise storage. Applicant plans to divide up the top floor into small rooms for the storage of furniture, jewels and other valuables. There is also a possibility of having one floor leased for the storage of bonded liquors.

Applicant has entered into a contract with J. L. Flanagan, by which contract Mr. Flanagan agrees to convey in exchange for applicant's capital stock of the face value of \$22,000, a certain piece of property in the city of Sacramento, alleged to be suitable for warehouse purposes, being Lot No. 2 in Block bounded by R, S, Eleventh and Twelfth streets, in the city of Sacramento. Mr. Flanagan testified that a year and a half ago he had given an option on this property for a few days for the sum of \$14,000, and that he considers it to be worth at least \$17,000 in cash. It is evident that the price to be paid, viz., \$22,000, par value of stock, includes discount or commissions on stock. Applicant proposes to build on said property a six-story and basement steel frame and concrete warehouse building. Applicant has entered into a contract dated March 25, 1913, with C. C. Cuff, an architect, under which contract Mr. Cuff is to prepare plans and specifications and supervise the construction of the building. Mr. Cuff, under said contract, is to receive for his services six per cent of the cost of the construction of the building, including extra work done under his direction and supervision. At the option of the owner, the architect is to take the full amount of his commission in capital stock of the applicant herein, at its par value. The six per cent is to be paid as follows: three per cent when plans and specifications have been completed and accepted; one per cent when the contract for the building has been let; and the remaining two per cent in installments as the work progresses, the final twenty-five per cent of such two per cent to be withheld until after the entire work has been completed, ~~and~~ accepted and paid for. Mr. Cuff estimates that the maximum cost of

the building complete will be \$125,000. The plans and specifications have been submitted to a number of contractors and the exact price for which the contract will be let will shortly be determined.

Applicant claims that subscriptions have already been made to the capital stock in the amount of at least \$72,500, not including the \$22,000, par value, which is to be exchanged for the real estate.

Applicant, by contract dated March 15, 1913, appointed Charles J. Cox, Jr., J. C. Lewis and J. L. Harvey as its financial agents, with authority to sell all of applicant's common stock at par, for which services the financial agents are to receive a commission of twenty per cent, which commission is to be paid one half in cash and one half in applicant's capital stock. The Commission will not pass on this contract, for the reason that it will not, by its act, place the applicant in such a position that it cannot sell its capital stock through some other agency. While the order in this case will authorize the sale of the capital stock in such a manner as to net applicant at least \$9.00 per share in cash, and will permit applicant to issue ^{to} such agents as may sell its stock one share for every ten shares sold and paid for, the order will not authorize the payment of any commission on the \$22,000, face value, of stock exchanged for the real property, for the reason that the commission is already contained in the said sum of \$22,000.

I find that there is a reasonable prospect for success on the part of the proposed enterprise and that the purposes for which the stock is authorized to be issued, as hereinafter specified in the order, are not in whole or in part reasonably chargeable to operating expenses or to income.

I submit herewith the following form of order:

O R D E R.

SACRAMENTO WAREHOUSE COMPANY having applied to the Railroad Commission for an order authorizing the issuance by said Company of

its common capital stock in the amount of two hundred thousand (\$200,000) dollars, par value, and a public hearing having been held upon said application, and it appearing that the money to be procured from the issue of stock herein authorized is reasonably required for the acquisition of property and the construction, completion, extension and improvement of applicant's proposed facilities, and that the purposes for which the proceeds of said issue are to be used are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED as follows:

1. Sacramento Warehouse Company is hereby authorized to issue its common capital stock in an amount not to exceed that hereinafter specified for each purpose designated and ~~the~~ the proceeds thereof shall be applied only to the following purposes, to-wit:

(a) Sacramento Warehouse Company may issue twenty-two thousand (22,000) shares of its common capital stock, having a par value of ten (\$10.00) dollars each, to J. L. Flanagan in exchange for a good and marketable title to Lot No. 2 in the block between R, S, Eleventh and Twelfth streets, in the city of Sacramento. A certified copy of the deed conveying the title shall be filed with this Commission.

(b) Sacramento Warehouse Company may issue and sell its common capital stock of a par value not to exceed one hundred thirty-eight thousand eight hundred and ninety (\$138,890) dollars, so as to net said Company not less than ninety (90%) per cent ^{in cash} of the par value thereof, and may apply the proceeds only for the purpose of constructing and completing its proposed six-story and basement steel frame and concrete warehouse building, to be erected on said Lot No. 2 in the block bounded by R, S, Eleventh and Twelfth streets, in the city of Sacramento.

(c) Sacramento Warehouse Company is authorized to issue its common capital stock of a face value not to exceed six (6%) per cent of the stock authorized by Section (b) of this paragraph. ^{and} not to

exceed in any event capital stock of the face value of eight thousand three hundred and thirty (\$8,330) dollars, in payment for architect's fees, in accordance with contract dated March 25, 1913, between applicant and C. C. Cuff, a copy of which contract is attached to the petition herein and marked "Exhibit B." The payments of stock to Mr. Cuff shall be made only at the times and in the amounts specified in said contract.

(d) Sacramento Warehouse Company is hereby authorized to issue and sell its common capital stock of a par value not to exceed the sum of one thousand three hundred and thirty (\$1,330) dollars so as to net said Company not less than ninety (90%) per cent in cash, and to use the proceeds thereof only for the purpose of purchasing furniture and for organization expenses. Before any of said money is paid for organization expenses, a statement of the proposed payment shall be filed with this Commission and this Commission's authority, which authority may be given by the Commission's letter signed by the Commission, shall first have been secured.

2. Sacramento Warehouse Company is authorized to pay to its agents or solicitors on all of its stock sold for a purpose designated in paragraphs (b) and (d) of Section 1 hereof, all of which stock shall be sold so as to net applicant not less than ninety (90%) per cent of par in cash, one (1) share of its fully paid up capital stock for each ten (10) shares of stock so sold. In no event shall applicant issue its said capital stock or pay any commission until said stock shall have been paid for in full.

3. Sacramento Warehouse Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale or disposal of the stock hereby authorized to be issued, and on or before the 25th day of each month, the Company shall make verified reports to the Commission, stating the sale or other disposition of said stock, as authorized, during the previous month, the terms and conditions

of sale, the moneys realized therefrom, and the use and application of such moneys, 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. This order shall apply only to capital stock issued on or before the first day of July, 1914.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 23rd day of July, 1915.

Wm. Thoburn
Edwin C. Edgerston
Commissioners.