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Decision No. 8890

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
SAN JOAQUIN WHARF & WAREHOUSE COMPANY, )  
for an order authorizing issuance of )  
capital stock and authorizing the pur- ) Application Number 6707  
chase of real and personal property )  
from Dickinson-Nelson Company, a pub- )  
lic utility. )

Heller, Ehrman, White & McAuliffe,  
for Applicant.

MARTIN, COMMISSIONER.

O P I N I O N

SAN JOAQUIN WHARF & WAREHOUSE COMPANY asks permission to issue \$200,000.00 par value (20,000 shares) of common stock. Applicant intends to issue seven shares of its stock to its incorporators and sell the remainder at 80% net and use the proceeds for the purposes hereinafter indicated.

San Joaquin Wharf & Warehouse Company was organized during February, 1921. The company has an authorized stock issue of \$200,000.00 divided into 20,000 shares of \$10.00 each.

Applicant's Articles of Incorporation show that it is formed for the purpose, among others, to carry on the business of wharfage, storage and warehousing in all its branches; to contract for hauling of goods, wares and merchandise of all nature and description; to receive goods on consignment or otherwise; to store, sell and distribute goods on commission or other basis; to export, import and otherwise deal in goods, wares and merchandise of all

classes and description; to act as a public weigh master; to issue warehouse receipts, certificates and circulars, negotiable or otherwise, to persons warehousing or storing goods, wares or merchandise with the company, etc.

Applicant reports that it has an option to purchase at a cost of \$100,000.00 from the Dickinson-Nelson Company the following warehouse and other properties:-

What certain building situated at Numbers 12 and 14 west Weber Avenue, in the City of Stockton, State of California, together with the land on which the same is situated and now being occupied by the undersigned as offices; also 300 feet of land on the Mormon Channel and about 600 feet deep, together with the hay and grain warehouse situated thereon known as the Dickinson-Nelson warehouse; also all machinery in said warehouse, together with two trucks and three automobiles, a wagon scale and office, auto and horse barn; grain and hay wharves on Mormon Channel, also Spur track running from the warehouse and connecting with The Western Pacific Railroad, all of the above property situated in Stockton, California; also one grain warehouse at Romain, in Stanislaus County, California, together with the land on which the same is situated.

E. C. Dickinson, President of Dickinson-Nelson Company is of the opinion that the properties which his company has agreed to sell for \$100,000.00 are worth at least \$109,121.87, while a representative of applicant estimates the present value of the properties at \$125,000.00 . It appears that E. C. Dickinson desires to retire from the warehouse business and that for that and other reasons he is willing to sell the properties to applicant for \$100,000.00.

Applicant further reports that it has leased from The Western Pacific Railroad Company for a term of ten years, a warehouse on the line of that railroad, together with ground adjoining the Western Pacific warehouse. The property leased from The Western Pacific Railroad is on Stockton Channel, immediately north of Weber Avenue in Stockton. The warehouse has a length of 350 feet and a uniform width of 100 feet. On the ground adjoining this warehouse, applicant intends to construct a warehouse immediately adjacent to and to form a part of the existing Western

Pacific warehouse.

The cost of this new building is estimated at from \$30,000. to \$55,000. Applicant has agreed to pay for the use of the Western Pacific properties, a monthly rental of \$400.00 for a term of five years. At the end of the five year period, the rental is to be adjusted on the basis of the then value of the leased properties. Upon the termination of the lease, a copy of which is on file in this proceeding, applicant may remove the warehouse building which it intends to construct on the leased premises.

Applicant reports that it intends to sell its stock for par and use 20% of the proceeds to pay promotion expenses, including costs of incorporation and attorney fees.

It is urged by the witness for applicant that inasmuch as applicant intends to sell its stock to farmers and prospective patrons of its warehouse, a larger commission than usual is necessary, for the reason that some time will be required to effect a sale of the stock. At the same time it is explained that a real necessity exists for the establishment of applicant's warehouse business, and that numerous inquiries have been made about applicant's stock.

In my opinion there has been no satisfactory showing made that it is necessary for applicant to expend 20% of the proceeds from the sale of its stock to pay promotion expenses, including cost of incorporation and attorney fees, and no such payments will be permitted.

The order herein will permit the expenditure of not exceeding 15% of the proceeds, assuming the stock is sold at par, to pay promotion expenses, including cost of incorporation and attorney fees. It is expected that applicant's stock will be sold at the least possible expense, and that none of applicant's officers will make any profit through the sale of its securities. They should receive a reasonable compensation for their services

rendered and such compensation should not be dependent upon their success in selling stock.

The Commission expects applicant's stock to be sold for cash. In the event that a subscriber is unable to make full cash payment, the balance due on his stock subscription may be noted on the subscription blank. Under no circumstances shall applicant accept notes in payment for stock sold.

Any prospectus which may be issued by applicant, as well as any stock subscription, agreement or other literature distributed by applicant shall recite that the order of the Commission authorizing the issue of the stock is permissive only and does not constitute a recommendation or endorsement of the Railroad Commission of said stock.

I herewith submit the following form of order:-

C R D E R

SAN JOAQUIN WHARF AND WAREHOUSE COMPANY, having applied to the Railroad Commission for permission to issue \$200,000.00 of stock, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for through such issue, is reasonably required by applicant, and that the expenditures for such purposes as herein authorized are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that SAN JOAQUIN WHARF & WAREHOUSE COMPANY be, and it is hereby authorized, to issue \$200,000.00 par value of its common capital stock.

The authority herein granted is subject to the following conditions:-

1. The stock herein authorized to be issued shall be sold by applicant for cash at not less than par. No stock or stock certificate shall be issued or delivered until fully paid in cash by the subscriber therefor.
2. Of the stock herein authorized to be issued, \$70.00 par value (7 shares) may be issued to applicant's incorporators, and the proceeds from the sale of said \$70.00 par value of stock used for working capital.
3. The proceeds realized from the sale of \$199,930.00 of stock shall be used for or accounted for as follows:-
  - a. Not exceeding \$100,000. to pay for the properties which applicant intends to acquire from the Dickinson-Nelson Company, referred to in this application.
  - b. Not exceeding \$35,000. to pay for the cost of constructing the warehouse on the property leased from The Western Pacific Railroad Company, referred to in this application.
  - c. Not exceeding 15% of the proceeds to pay bona fide and reasonable organization and incorporation expenses, attorney's fees and brokerage fees.
  - d. Not exceeding \$20,000. may be used for working capital, provided, however, that none of the \$20,000. be used to pay any of the expenses referred to in paragraph "c" preceding.
  - e. The remainder of the proceeds may be expended only for such purposes as the Railroad Commission may hereafter authorize by a supplemental order or orders.

4. Applicant shall file with the Commission the name and Post Office address of each stock subscriber, with the amount of stock subscribed and payments made by each subscriber.
5. Applicant shall file with the Commission a copy of its prospectus, if any is printed and distributed, copy of its stock subscription agreement, and a copy/<sup>of</sup>each and every agreement under the terms of which any individual or individuals are employed to act as agents or salesmen for applicant, to sell the stock herein authorized.
6. On each stock subscription agreement and on any prospectus distributed by applicant, shall appear this language--

"While the Railroad Commission has authorized the issue and sale of this stock, its order is permissive only and does not constitute a recommendation or endorsement of the stock."
7. San Joaquin Wharf & Warehouse Company shall keep such record of the issue and sale of the stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the 25th day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.
8. The authority herein granted will apply only to such stock as may be issued, sold and delivered on or before October 1, 1921.

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 20<sup>th</sup> day of April, 1921.

H. D. Loveland  
H. B. Pringle  
James Wharton

Commissioners.