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Decision No. 9263.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE  
STATE OF CALIFORNIA

In the Matter of the Application of )  
DELTA WAREHOUSE COMPANY )  
for an order authorizing the issue )  
of stock. )

Application No. 6829

Houghton & Houghton, by Edward T. Houghton,  
for Applicant.

MARTIN, Commissioner.

O P I N I O N.

DELTA WAREHOUSE COMPANY asks permission to issue \$155,700.00 par value of common stock and to assume the payment of \$140,600.00 of indebtedness in exchange for certain properties.

Delta Warehouse Company was organized in July, 1920, with an authorized capital stock of \$300,000.00, divided into 3,000 shares of the par value of \$100.00 each. The company was organized for the purpose, among others, of engaging in a general grain and warehouse business and to acquire properties both real and personal suitable for and adapted to the conduct of such business in its various branches. It appears from the record that the Frank A. Guernsey Grain Company and W.D. Sheldon & Company have offered to sell to applicant 50 acres of land in exchange for \$25,000 of stock and the assumption of a \$35,000.00 indebtedness. The Girvin Warehouse Company has offered to sell to applicant in exchange for \$25,000.00 of stock and the assumption of \$40,600.00 of indebtedness two parcels of land, more particularly described in exhibits filed with the application.

Frank A. Guernsey, J.W. Schuler, Philip O'Connell, H.J. Mann, W.J. Sheldon, A.J. Ames and C. Levensaler have offered to sell to applicant in exchange for \$25,000.00 of stock and the assumption of a \$45,000.00 indebtedness, certain real property in the City of Stockton and a warehouse building located thereon. Philip O'Connell and J.W. Schuler, acting as trustees for Frank A. Guernsey, J.W. Schuler, Philip O'Connell, H.J. Mann, W.G. Sheldon, A.J. Ames and C. Levensaler, have offered to sell to applicant in exchange for \$80,000.00 of stock and the assumption of a \$20,000.00 indebtedness, certain real property located in the City of Stockton and a warehouse constructed thereon. Detailed description of the properties, which have been offered to applicant for the considerations mentioned, are filed in this proceeding. There is also filed in this proceeding an appraisal of the properties by George W. Leistner and F.J. Dietrich. The testimony shows that neither of the appraisers are interested in the Delta Warehouse Company, or in any of the property described in the application and that they have appraised the properties which applicant intends to acquire at \$360,000.00.

It appears from a statement made by counsel for applicant that the purpose of this application is to consolidate under one ownership four different parcels of properties, in which J.W. Schuler, A.J. Ames, H.J. Mann, Frank A. Guernsey, Philip O'Connell, W.J. Sheldon and C. Levensaler are interested. It is believed that by the consolidation of the properties under one ownership, they can be more economically managed and operated. The record shows that approximately \$89,000.00 of stock will be issued for the purpose of acquiring warehouse properties, the remainder of the stock being issued to acquire properties not now used or useful in public utility operations. Inasmuch as a large part of the stock covered by this application will be issued to acquire non-public utility properties, applicant will be required to file with the Commission a stipulation

agreeing that it will not ask and will not urge the Commission to include in a rate base such properties as it may purchase through the issue of stock herein authorized, but not used for public utility purposes.

The record shows that none of the stock which applicant asks permission to issue will be sold to the public generally, but all of it will be issued to the parties mentioned in the application and that these parties stand ready to purchase additional stock in the event that applicant's operations should require the issue and sale of more stock.

Applicant has heretofore filed with the Commissioner of Corporations an application for permission to issue stock in the same amount as covered by this application. The Commissioner of Corporations has granted the Delta Warehouse Company permission to issue such stock. Through an inadvertence or misunderstanding, the company did not until recently file an application with this Commission. It occurs to us that any stock issued by the Delta Warehouse Company without an order from this Commission is void, and we therefore, suggest that applicant cancel the stock certificates heretofore issued and issue new certificates in lieu thereof as herein permitted.

Applicant has accepted the various offers made to it for the purchase of properties and has agreed to assume the payment of indebtedness amounting to \$140,600.00. Inasmuch as this indebtedness constitutes a lien upon properties which applicant is acquiring, we believe that the assumption of the indebtedness should be authorized by this Commission and that applicant should file with the Commission a copy of each and every mortgage securing the payment of indebtedness which it intends to assume.

I herewith submit the following form of Order:

O R D E R.

DELTA WAREHOUSE COMPANY having applied to the Railroad Commission for permission to issue \$155,700.00 of common stock and assume \$140,600.00 of indebtedness, a public hearing having been held and the Commission being of the opinion that applicant's request should be granted;

IT IS HEREBY ORDERED, that DELTA WAREHOUSE COMPANY be, and it is hereby, authorized to issue 1,557 shares (\$155,700.00) of common stock and assume the payment of \$140,600.00 of indebtedness referred to in this application.

The authority herein granted is subject to the following conditions:

1.--Of the stock herein authorized to be issued, seven (7) shares shall be sold to applicant's incorporators at par, for cash, and the proceeds used for working capital. Of the remaining stock 125 shares shall be issued to the Frank A. Guernsey Warehouse Company, 125 shares to W.D. Sheldon and Company, 250 shares to Girvin Warehouse Company, 210 shares to Frank a Guernsey, 140 shares to J.W. Schuler, 140 shares to Philip O'Connell, 55 shares to E.J. Mann, 196-7/8ths shares to W.D. Sheldon, 196-7/8ths shares to A.J. Ames and 131-1/4 shares to C. Levenealer, -all in exchange for the properties referred to and described in this application.

2.--The authority herein granted will not become effective until Delta Warehouse Company has filed with the Railroad Commission a stipulation duly authorized by its Board of Directors declaring that Delta Warehouse Company, its successors and assigns will never urge the Railroad Commission, or other body having jurisdiction, to include in a rate base the cost

of property not used or useful in applicant's warehouse business acquired through the issue of stock and the assumption of indebtedness herein authorized, and the Commission having by supplemental order declared that such stipulation, satisfactory in form, has been filed with the Commission.

- 3.--The authority herein granted will not become effective until applicant has paid the fee prescribed in the Public Utilities Act.
- 4.--Delta 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.
- 5.--The authority herein granted will apply only to such stock as may be issued, sold and delivered, and to such indebtedness as may be assumed, 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 23<sup>rd</sup> day of July 1921.

*July*  
~~June~~

Office of the Railroad Commission of California  
FEE \$ 1141.00  
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A. W. [Signature]  
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H. P. [Signature]  
H. W. [Signature]  
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COMMISSIONERS.