

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of the FARMERS WAREHOUSE COMPANY for an order permitting it to sell, and the HUNTINGTON BEACH WAREHOUSE COMPANY, the SAWTELLE WAREHOUSE COMPANY and the HUENEME WHARF and WAREHOUSE COMPANY to purchase certain of the property of the Farmers Warehouse Company, and for an order permitting the Huntington Beach Warehouse Company, the Sawtelle Warehouse Company and the Hueneme Wharf and Warehouse Company to issue stock.

ORIGINAL

Application No. 737.

George E. Ferrand for applicant.

ESHELMAN, Commissioner.

OPINION.

The Farmers Warehouse Company, applicant herein, is engaged in a public utility and mercantile business in the counties of Los Angeles and Ventura, and heretofore filed Application No. 311, which was passed on by this Commission January 30, 1913. In the decision in Application No. 311, the difficulties of financing an enterprise partly public utility and partly not were pointed out, and it was suggested that it might be advisable for this company to reorganize its business so as to separate the public utility business from that which is not. By far the greater portion of the business of this applicant is business other than public utility, and it is now sought to organize three public utility companies to take over the public utility business of the applicant and it is desired that stock in such public utility enterprises be issued to the Farmers Warehouse Company in payment for the property to be acquired by the three public utility companies. The testimony shows that while the new utility companies will devote themselves almost entirely to public utility business, yet there will be some business incidental to the public utility business which it will still be advantageous and

probably necessary to carry on in conjunction with such public utility business which, if carried on alone, would not be subject to this Commission's jurisdiction.

I will consider the three public utilities organized separately.

I.

HUNTINGTON BEACH WAREHOUSE COMPANY. Application is made by the Farmers Warehouse Company to sell and by the Huntington Beach Warehouse Company to purchase all of the following described property:

All that certain real property situated in the Rancho Las Bolcas, county of Orange, State of California, described as follows, to wit:

Beginning at the quarter section corner on the East line of Section twelve (12), Township six (6) South, Range eleven (11) West, S.B.B.M., running thence North along the East line of said Section 340.00 feet; Thence West 100.00 feet; Thence South 50.00 feet; thence West 167.00 feet; thence South 290.00 feet; thence East 267.00 feet to the point of beginning, and being portions of Lots 924 and 1024 of the W. T. Newland Tract, as shown on a map in Book 4, page 56 of Miscellaneous Maps, records of Orange county, California;

Reserving therefrom the East 30.00 feet and the South 20.00 feet for road purposes, as shown on said map of ^{the} W. T. Newland Tract;

Together with all improvements and buildings thereon, together with all of the personal property used in and about the said premises in carrying on its said business, particularly including one 30 H.P. gas engine, trucks, bean cleaner, barley rolls, scales and boiler.

For this property the purchaser desires to issue 160 shares of its capital stock at par, aggregating \$16,000.

The authorized capital stock of this company is \$25,000, divided into 250 shares of the par value of \$100 each.

If the application is granted to issue the shares in payment for the property, this will leave 70 shares, which the corporation asks also to issue and sell at par and use the proceeds of such shares in the carrying on of that portion of its business which is not public

utility, namely, the cleaning of beans and the purchasing of farmers' produce.

II.

SAWTELLE WAREHOUSE COMPANY: Farmers Warehouse Company applies to sell and the Sawtelle Warehouse Company applies to purchase all of the following described property:

Lots 1 to 8, both inclusive, of the Wendell Tract, in the city of Sawtelle, county of Los Angeles, State of California, as per map recorded in Book 5, page 140 of Maps, in the office of the County Recorder of said county;

Also, that portion of Lot 7 in Block 1 of the Clarence Tract, in the city of Sawtelle, county of Los Angeles, State of California, as per map recorded in Book 1, page 42 of Maps, in the office of the County Recorder of said county, described as follows:

Commencing at a point on the South Westerly line of said Lot 7, 150 feet, North Westerly from the most Southerly corner thereof; thence North Westerly along said lot line, 40 feet to the land conveyed to William E. Sawtelle by deed recorded in Book 2076, page 140 of Deeds, records of said county; thence North Easterly along said land, 107.5 feet to the right-of-way of the Southern Pacific Railroad Company; thence South Easterly along said right-of-way 40 feet to a point 150 feet North Westerly from the most Easterly corner of said lot; thence South Westerly 107.5 feet to the point of beginning:

Also, the South 150.00 feet of Lot 7, Block 1 of the Clarence Tract, in the city of Sawtelle, county of Los Angeles, State of California, as per map recorded in Book 1, page 42 of Maps, in the office of the County Recorder of said county, more particularly described as follows:

Commencing at the most southerly corner of said lot, thence North Westerly along the South Westerly line 150.00 feet; thence North Easterly parallel with the South Easterly line of said lot, 107.5 feet to the right-of-way of the Southern Pacific Railroad Company;

thence South Easterly 150.00 feet along said right-of-way to the most Easterly corner of said lot; thence South Westerly along the South Easterly line of said lot, 107.5 feet to the place of beginning:

Together with all improvements and buildings thereon, together with all of the personal property used in and about the said premises in carrying on its said business, particularly including grain piler, scales, motor, boiler, barley rolls, bean cleaner and trucks.

The purchase price for this property is to be \$18,000 and 180 shares of stock of the par value of \$100 each is sought to be issued in payment for such property.

The authorized capital stock of this company is \$25,000, divided into 250 shares of the par value of \$100 each.

If this company is permitted to issue the shares desired to be issued in payment for the property to be acquired, there will remain 70 shares which the company applies to issue and sell at par, proceeds of such shares to be used in the business of said Sawtelle Warehouse Company other than its public utility business.

III.

EUCENE WHARF AND WAREHOUSE COMPANY: The Farmers Warehouse Company applies to sell and the Eugene Wharf and Warehouse Company to purchase the following described property:

Part of Blocks 1 and 2, as said blocks are designated and delineated upon that certain map entitled "Plat of the town of Eugene, surveyed for T. R. Bard, Esq., June, 1872," and recorded in the office of the County Recorder of Ventura County in Book 1 of Miscellaneous Records, at page 179, and particularly described as an entirety as follows:

Beginning at a point in the South line of Main street, distant East 4.00 feet from the North West corner of Lot 1, in said Block 2, and from which point a spike in center line of Main street bears East 59.00 feet and North 40.00 feet; said point of beginning being the North West corner of that certain parcel of land as conveyed by

Thomas R. Bard and Alfred J. Salisbury to Bank of Eueneme, by deed dated April 1st, 1889, and recorded in the office of the County Recorder of said Ventura County in Book 27 of Deeds at page 498 et seq.; thence from said point of beginning,

1st - South 76.00 feet to the South West corner of said land of the Bank of Eueneme; thence at right angles,

2nd - East 20.00 feet to a point; thence at right angles,

3rd - South 22.00 feet to the South West corner of the first parcel of land described in deed of Eueneme Wharf Company to Moise L. Wolff, et al., dated July 6th, 1895, and recorded in the office of the County Recorder of Ventura County in Book 47 of Deeds, at page 1, et seq; thence at right angles,

4th - East 77.00 feet to a point; thence at right angles,

5th - South 728.14 feet to a point in line No. 27 of the final survey of the Rancho El Rio de Santa Clara o' La Colonia, (See map entitled "Map No. 1, lands in subdivision 84, 85 and 87 of Rancho El Rio de Santa Clara o' La Colonia", and recorded in the office of the County Recorder of Ventura in Book 3 of Miscellaneous Records (Maps), at page 13); thence,

6th - North 80 degrees 30' West 675.77 feet along line No. 27 of the final survey of the Rancho El Rio de Santa Clara o' La Colonia (said line No. 27 being indicated on the above described map No. 1), to a point; thence,

7th - North 424.34 feet to a point; thence at right angles,

8th - East 195 feet to a point; thence at right angles,

9th - North 292.25 feet to a point in the South line of Main Street of said town of Eueneme, from which the point of intersection of the West line of Pacific Street and the South line of Main Street bears West 407.00 feet distant; thence,

10th - East 374.50 feet, along the south line of Main Street, to the point of beginning, containing an area of 9.92 acres, more or less.

Together with all and singular the warehouse buildings, stables, sheds, outhouses, fences, roadways, wharves, bridges and

approaches to said wharves, machinery and all other improvements in and upon or belonging to said real property, and their appurtenances, and equipment and all accretions to said real property caused by the Pacific Ocean; also that certain wharf built over the beach and out into the waters of the Pacific Ocean in front of said real property above described, and all the bridges, approaches, roadways, houses, equipment and appurtenances, and also that certain wharf franchise granted by order and grant of the Board of Supervisors of the County of Ventura, State of California, on the 18th day of December, 1899, for the term of twenty years, as by said grant provided, together with those certain rights, privileges and franchise, all contained in said order and grant of said Board of Supervisors of date December 18, 1899, and now of record in the office of the County Clerk of Ventura County in Book 1 of Franchises, at page 14, of record in the office of the County Recorder of said Ventura County in Book 1 of Franchises, at page 7, which said order and grant of said franchise, rights, and privileges and license are hereby referred to and by reference made a part hereof, subject, however, to all of the terms and conditions imposed upon the grantee thereof by said order and grant;

Together with all improvements and buildings thereon, together with all of the personal property used in and about the said premises in carrying on its said business, particularly including trucks, pile drivers, donkey engine, engine, boiler, horses, grain piler, barley rolls, bean cleaners, scales, narrow gauge cars, etc.

The purchase price to be paid by Eueneme Wharf and Warehouse Company is \$100,000, payable by issuing 600 shares of the stock of the Eueneme Wharf and Warehouse Company of the par value of \$60,000, and by a note ^{for \$40,000} dated June 16, 1913, payable on or before five years from date, bearing interest at the rate of 6 percent per annum.

The authorized capital stock of this corporation is \$150,000, divided into 1500 shares of the par value of \$100 each.

If this company is permitted to issue its 600 shares of stock in payment for the property, there will remain 900 shares of its authorized issue unissued. Of these shares the corporation applies to issue 250 shares and sell the same at par and use the proceeds in making permanent extensions and improvements to its wharf and warehouse property at Hueneme, and it likewise applies to issue 200 shares in addition thereto and sell the same at not less than par and devote the proceeds of such shares to its incidental business, which is not public utility.

It is in evidence that the amount which should be paid to the Farmers Warehouse Company by the three public utilities for the property to be turned over was determined by appointing two disinterested men to appraise this property, and I see no reason to doubt that under this method the amounts to be paid for this property are probably reasonable. However, it is unnecessary to pass upon this question finally because in the order the usual condition should be inserted providing that the values at which these properties are taken over shall not be binding upon this Commission or any other rate fixing body in fixing reasonable rates. I am satisfied, however, that the purchase price is not so disproportionate to the real value of the property as to warrant this Commission in withholding its approval on that ground.

The general plan as already suggested is to sever the public utility business of the Farmers Warehouse Company from its mercantile business so that the entire affairs of this large institution shall not be subjected to regulation which would not be contemplated by the law if the public utility business were not connected with it. While the new enterprises will not be altogether free from the difficulty which attaches to the main enterprise, yet I believe that the situation will be somewhat better from the standpoint of convenient and effective regulation if this application is granted, than is now the case. The terms upon which the stock is to be issued should meet with the approval of the Commission, inasmuch

as all the stock is to be issued at par and the public utility corporations are to receive into their treasuries par for all of the stock issued. The only difficulty arises from the fact that the corporations which are to take over the public utility business will be, under the testimony in this case, enabled to transact that public utility business on better terms if they carry on in conjunction therewith a certain amount of non-public utility business incidental to the public utility business which is the main concern, and the carrying on of this incidental business makes it necessary that certain working capital be secured which will be necessarily devoted to purposes other than public utility purposes. We have heretofore commented on this situation in the decision in Application 311, and I see no other way of getting around the difficulty than the one suggested there, and I believe, under all the circumstances of this case, that the additional stock should be issued but that the proceeds thereof should be restricted to non-public utility purposes.

The Farmers Warehouse Company, if this application is granted, will amend its articles of incorporation so that it will not henceforth be empowered to transact any public utility business, and on so amending its articles and on divesting itself of all public utility property it will not be further subject to regulation by this Commission.

I submit the following order:

O R D E R .

The FARMERS WAREHOUSE COMPANY having applied to sell and the Huntington Beach Warehouse Company, the Sawtelle Warehouse Company, and the Eueneme Wharf and Warehouse Company having applied to purchase all of the property described in the opinion hereto to be purchased by each of these companies, and the Huntington Beach Warehouse Company, the Sawtelle Warehouse Company and the Eueneme Wharf and Warehouse Company having applied to issue stock on the terms and in the amount and for the purposes set out in the

opinion hereto, and the hearing having been held and being fully apprised in the premises,

IT IS HEREBY ORDERED,

FIRST: The Farmers Warehouse Company is hereby granted authority to sell and the Huntington Beach Warehouse Company is hereby granted authority to purchase all of the property described in the opinion hereto which the said Farmers Warehouse Company applies to sell to the said Huntington Beach Warehouse Company for \$18,000.

SECOND: The Huntington Beach Warehouse Company is hereby authorized to issue 180 shares of its capital stock at par and deliver the same to the Farmers Warehouse Company in payment for the property aforesaid.

THIRD: The Huntington Beach Warehouse Company is hereby authorized to issue 70 shares of its capital stock at not less than par, and to sell the same for cash, and to devote the proceeds thereof to the lawful purposes of said corporation, other than public utility purposes. If at any time subsequent hereto it is desired by the Huntington Beach Warehouse Company to apply the proceeds of these 70 shares of stock, or any thereof, to any of the public utility purposes of said Huntington Beach Warehouse Company, said Huntington Beach Warehouse Company shall apply to this Commission setting out the purposes for which it is desired to make such expenditures and the Commission will pass upon said application when so made.

FOURTH: The Farmers Warehouse Company is hereby authorized to sell and the Sawtelle Warehouse Company is authorized to purchase all of the property described in the opinion hereto which the said Farmers Warehouse Company applies to sell and the said Sawtelle Warehouse Company applies to purchase for a consideration of \$18,000.

FIFTH: The Sawtelle Warehouse Company is hereby authorized to issue 180 shares of its capital stock at par and to deliver the same to the Farmers Warehouse Company in payment for the property aforesaid.

SIXTH: The Sawtelle Warehouse Company is hereby author-

ized to issue 70 shares of its capital stock and to sell the same at not less than par for cash, and to devote the proceeds thereof to the lawful purposes of said corporation, other than public utility purposes. If, at any time subsequent hereto it is desired by the Sawtelle Warehouse Company to apply the proceeds of these 70 shares of stock or any part thereof, to any of the public utility purposes of said Sawtelle Warehouse Company, said Sawtelle Warehouse Company shall apply to this Commission setting out the purposes for which it is desired to make such expenditures and the Commission will pass upon said application when so made.

SEVENTH: The Farmers Warehouse Company is hereby authorized to sell and the Eueneme Wharf and Warehouse Company authorized to purchase all of the property heretofore described in the opinion hereto which said Farmers Warehouse Company applies to sell to said Eueneme Wharf and Warehouse Company for a consideration of \$100,000, said \$100,000 to be paid in the manner hereinafter set out.

EIGHTH: Said Eueneme Wharf and Warehouse Company is hereby authorized to issue 600 shares of its capital stock and deliver the same at par to the Farmers Warehouse Company in part payment for the property hereinbefore described and said Eueneme Wharf and Warehouse Company is further authorized to execute and deliver a promissory note in the sum of \$40,000, dated June 16, 1913, payable on or before five years from date, bearing interest at the rate of 6 per cent per annum, in payment to the said Farmers Warehouse Company for the balance of the \$100,000 due for said property herein authorized to be purchased.

NINTH: Eueneme Wharf and Warehouse Company is hereby authorized to issue 250 shares of its capital stock and to sell the same at not less than par for cash and to use the proceeds thereof for the purpose of making extensions and improvements in its wharfage and warehouse property at Eueneme, Ventura County,

California, and particularly for the purpose of changing its present wooden wharf to a concrete structure.

TENTH: Said Eueneme Wharf and Warehouse Company is further authorized to issue 250 shares of its capital stock and to sell the same at par for cash and to use the proceeds thereof for the lawful purposes of said corporation other than public utility purposes. If at any time subsequent hereto it is desired by the Eueneme Wharf and Warehouse Company to apply the proceeds of these 250 shares of stock or any part thereof, to any of the public utility purposes of said Eueneme Wharf and Warehouse Company, said Eueneme Wharf and Warehouse Company shall apply to this Commission setting out the purposes for which it is desired to make such expenditures and the Commission will pass upon said application when so made.

ELEVENTH: The several prices at which the property is here sold and purchased by the three public utilities in question shall not be binding upon this or any other public authority as a value to be considered in the fixing of rates of such public utilities.

TWELFTH: The Huntington Beach Warehouse Company, the Sawtelle Warehouse Company, and the Eueneme Wharf and Warehouse Company shall each and severally keep separate and true accounts of the proceeds received from the sale of the stock herein authorized to be issued and shall account to this Commission under the general orders and rules of this Commission applicable thereto for the distribution of all the proceeds received from the sale of said stock and the Eueneme Wharf and Warehouse Company shall prepare and submit to this Commission plans and specifications for the improvement of its wharf and warehouse facilities at Eueneme, in detail specifically to this Commission before the expenditure of any of the proceeds of the sale of stock authorized for such purposes.

THIRTEENTH: This order will become effective on the payment of the fee provided by law.

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 2nd day of October, 1913.

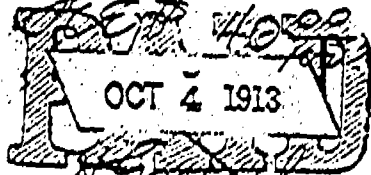
John M. Ashburn
W. A. Lawrence

Max Thelen

Edwin O. Edgerton

Commissioners.

Railroad Commission State of California



BY A. G. Hanson
Assistant Secretary.