

Decision No. 23375

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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

} Application No. 23375

BY THE COMMISSION:

O P I N I O N

In this application, as amended, Grange Warehouse and Storage Company asks permission to transfer all of its rights, privileges, franchises and permits to Grange Warehouse Company, and the latter asks authority to issue at \$2.00 per share, 100 shares of no par value common capital stock, for the purpose of providing itself with working capital.

Grange Warehouse and Storage Company is the owner of warehouses at Adela, Claribel, Claus, Farmington, Hatch, Hickman, Modesto (Warehouse No. 2), Montpelier (Ironclad), Oakdale (Brick No. 1), Oakdale (No. 6 Ironclad), Paulsell, Ryer, Salida, Turlock (No. 2), Turlock, (Hay House), Waterford (Brick No. 1) and Waterford (Ironclad No. 2).

For 1939 Grange Warehouse and Storage Company reports storage revenues of \$35,459.34 and other revenues of \$14,999.46, making total revenues of \$50,458.80. Its operating and nonoperating expenses are reported at \$44,431.24, leaving a net profit of \$6,027.56.

All of the stock of Grange Warehouse and Storage Company is owned by The Grange Company. It is now proposed to dissolve Grange Warehouse and Storage Company and through such dissolution distribute its warehouse properties and other assets to The Grange Company. Thereafter, The Grange Company will lease the warehouses heretofore mentioned to Grange Warehouse Company for a term of 10 years. The annual

rental will be the sum of \$10 and the net amount received from the conduct of the warehouse business. The lease between the parties, among other things, contains the following provisions:-

" The lessor, except as hereinafter provided, and except as may from time to time be agreed upon by the parties hereto, shall pay all of the expense of the repair, improvement and maintenance of the said warehouse properties, and taxes, assessments and insurance thereon except the insurance upon the contents of any of said warehouses.

The said lessee accepts the said buildings as in a suitable condition for carrying on the said business and agrees to protect the said lessor and hold it harmless from any damage or detriment arising from any alleged defects in any of said warehouse properties.

This said lease is subject to termination as to all of said properties or any one or more thereof, by either party, upon written notice to the other thirty days prior to such termination provided, however, that in case of termination by the lessor such termination shall not take effect until the expiration of the time for which the lessee is obligated to store any property therein, or until the removal of such property from said building. An accurate record is to be kept by the lessee of the receipts and expenses and rendered from time to time to the lessor as it may require."

In the event of a rate proceeding, the Commission will not regard as an operating expense the rent paid by Grange Warehouse Company. In such a proceeding, the investment in the warehouse properties, the revenues and expenses applicable to the warehouse business may be reviewed as though the lease were nonexistent.

Grange Warehouse Company, as stated, asks permission to issue at \$2.00 per share, 100 shares of its no par value common capital stock. In our opinion, such stock as the company may choose to issue under the authority herein granted, we believe, should be issued on a basis of not less than \$25 per share. The proceeds realized from the sale of such stock will be used by Grange Warehouse Company in the conduct of its business.

ORDER

The Commission having considered the requests of applicants and it being of the opinion that this is not a matter on which a hearing

is necessary, that the money, property or labor to be procured or paid for by the issue of the stock authorized by this order, is reasonably required by Grange Warehouse Company for the purpose herein stated and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income, and that this application should be granted subject to the provisions of this order, therefore,

IT IS HEREBY ORDERED as follows:-

1. Grange Warehouse and Storage Company may, after the effective date hereof and on or before July 31, 1940, transfer all of its rights, privileges, franchises and permits to the Grange Warehouse Company, which company is hereby authorized to execute a lease substantially in the same form as the lease filed in this proceeding on May 1, 1940.
2. Grange Warehouse Company may, after the effective date hereof and on or before July 31, 1940, issue, at not less than \$25 per share, not exceeding 100 shares of its no par value common capital stock and use the proceeds in the conduct of its business.
3. Applicants Grange Warehouse and Storage Company and Grange Warehouse Company shall within thirty (30) days after the effective date of this order, and on or not less than five (5) days' notice to the Commission and to the public, unite in common supplement to the tariff on file with the Commission, applicant Grange Warehouse and Storage Company withdrawing and applicant Grange Warehouse Company accepting and establishing as its own such tariff.
4. Grange Warehouse Company shall, within thirty (30) days after the issue of any stock under the authority herein granted, file with the Commission a report showing the number of shares of stock issued, to whom said shares were issued and the consideration received therefor.

5. The authority herein granted will become effective fifteen (15) days after the date hereof.

DATED at San Francisco, California, this 6th day of May, 1940.

Ray & Ricey
Frank Blum
Ray & Ricey
M. H. H.
Justus J. Craemer
Commissioners.