

Decision No. 38538

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

WILLIAM J. WEYAND, an individual
doing business under the firm
name and style of "California
Mealfalfa Company" and CALIFORNIA
MEALFALFA COMPANY, a corporation

for permission to sell and transfer
warehouse property and to continue to
operate a public warehouse business.

In the Matter of the Application of

CALIFORNIA MEALFALFA COMPANY

For an Order authorizing the issue
of stock.

ORIGINAL

Application
No. 27088

BY THE COMMISSION:

O P I N I O N

In this application William J. Weyand asks permission to transfer his public utility warehouse properties at Dixon, California, to California Mealfalfa Company, a corporation. The California Mealfalfa Company asks permission to issue in part payment for such properties, a \$90,000 2½% installment note and execute a deed of trust and chattel mortgage to secure the payment of such note. It further asks permission to issue \$100,000 par value of common stock for the purposes hereinafter stated.

William J. Weyand, doing business under the firm name and style of California Mealfalfa Company, is engaged in the business of operating a warehouse at Dixon, California, and

in buying and selling grain and grain products, alfalfa and feed products. For the fiscal year ending April 30, 1945, he reports operating revenues of \$378,235.50. Of this amount, only \$3,070.39 is reported as applicable to his warehouse business. His investment is reported at \$232,388.69, of which \$50,174.83 is allocated to public utility warehouse properties and \$182,213.86 to non-utility properties. The non-utility properties include, among other things, a grain mill, an alfalfa mill and farm lands. His depreciation reserve, which is not segregated to utility and non-utility properties, is reported at \$122,518.89. He has entered into an agreement to sell his public utility warehouse properties, including five parcels of real property and the improvements thereon, together with certain personal property, to the California Mealalfa Company, a corporation, for the sum of \$100,000. The company will pay \$10,000 in cash and deliver to William J. Weyand its 2½% note for \$90,000, secured by a deed of trust and chattel mortgage which will be liens on the properties that he is selling. The note is payable in monthly installments of \$1,000 or more, beginning on December 1, 1945, and continuing through December 1, 1952, when the entire balance of the principal and interest then unpaid becomes due and payable. The interest is payable monthly.

The deed of trust, a copy of which is on file in this application as Exhibit "B", is a lien on the five parcels of real property which are being sold by William J. Weyand, while the chattel mortgage (Exhibit "C") is a lien on office equipment, grain mill equipment, bulk elevator equipment, alfalfa mill equipment and warehouse equipment.

In this application as originally filed, California Mealalfa Company asks permission to issue 100,000 shares of its

capital stock of the par value of \$1 each. Subsequent to the filing of the application, its counsel advised the Commission that the issue of 67,000 shares of stock at this time would meet its financial needs. The \$67,000 will be used for the following purposes:

To make down payment on purchase of properties	\$10,000
To purchase from William J. Weyand merchandise and supplies, approx.	17,000
For working capital, approximately	30,000
For improvements to existing properties, approximately	<u>10,000</u>
Total	\$67,000

The stock will be sold at par without the payment of any commissions to the following parties:

A. E. Ascherman	Clarence Lucas
L. B. Hart	George Ross
Ellis Hart	Edward Durr
Dolph B. Hill	J. S. Crew
R. M. Hill	W. W. Volmer
E. C. Garrette	

If the corporation desires to issue additional stock, it should file a supplemental application setting forth the purposes for which it intends to expend the proceeds.

California Mealfalfa Company will conduct the warehouse business under the rates which William J. Weyand now has on file with the Commission.

The action taken herein shall not be construed to be a finding of value for any purpose other than the proceeding herein involved.

O R D E R

The Commission having considered applicants' requests 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 \$67,000 par value of capital stock and a \$90,000 note by California Mealfalfa Company is reasonably required by it for the purposes specified in this order, that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted as herein provided, therefore,

IT IS HEREBY ORDERED as follows:

1. William J. Weyand, doing business under the firm name and style of California Mealfalfa Company may, after the effective date hereof and on or before February 1, 1946, sell to California Mealfalfa Company, a corporation, his public utility warehouse properties described in this application.

2. California Mealfalfa Company, a corporation, may, after the effective date hereof and on or before February 1, 1946, issue to William J. Weyand and Anna W. Weyand, his wife, in part payment for the properties which he has agreed to sell to said California Mealfalfa Company, a corporation, its \$90,000 note, said note to be in the same form as the note filed in this application as Exhibit "B".

3. California Mealfalfa Company, a corporation, may after the effective date hereof and on or before February 1, 1946, execute for the purpose of securing the payment of said note, a deed of trust and a chattel mortgage similar in form to the deed of trust and chattel mortgage on file in this application as Exhibits "B" and "C".

4. California Mealfalfa Company, a corporation, may, after the effective date hereof and on or before February 1, 1946, issue at not less than their par value 67,000 shares of capital stock, and use the proceeds for the following purposes:

To make down payment on purchase of properties	\$10,000
To pay for merchandise and supplies acquired from William J. Weyand, approximately	17,000
For working capital, approximately	30,000
For improvements to properties being acquired, approximately	<u>10,000</u>
Total	\$67,000

5. Applicants shall, immediately upon the transfer of the aforesaid properties and on not less than five (5) days' notice to the Commission and to the public, supplement or re-issue the tariff on file with the Commission in so far as it names rates, rules and regulations governing warehouse operations of William J. Weyand at Dixon, California, to show that he has withdrawn or cancelled and that California Mealfalfa Company, a corporation, has concurrently adopted or established as its own said rates, rules and regulations. The tariff filings made pursuant to this order shall in all other respects comply with the regulations governing the construction and filing of warehouse tariffs set forth in the Commission's General Order No. 61.

6. The authority herein granted will become effective when California Mealfalfa Company, a corporation, has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Ninety (\$90.00) Dollars.

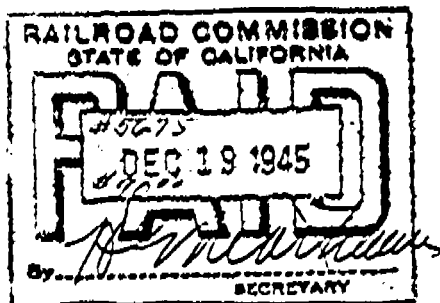
7. California Mealfalfa Company, a corporation, shall file with the Railroad Commission a report, or reports, required by the Commission's General Order No. 24-A, which order, in so far as applicable, is made a part of this order.

Dated at San Francisco, California,
this 14th day of December, 1945.

David Anderson

Harold P. Hubbs

Harold P. Hubbs
Commissioners



DISSENTING OPINION

Any public warehouse business, including the issuance of securities in connection therewith, undoubtedly is subject to the jurisdiction of this Commission. However, I cannot agree that it is proper, or in line with public interest, to compel this particular corporation with less than one percent of its business (based on the records of its predecessor in interest) falling under the category of warehousing, to submit to our regulatory control covering all of its operations. Nor do I believe that such was the intent when the present laws were enacted covering regulation of warehouses by this Commission.

Regulation of any and all privately owned public utility operations can be best accomplished in fairness to all concerned and with the highest degree of efficiency when such utility operations, distinct and apart from any other business, are exclusively subject to the direct jurisdiction of this Commission.

In this case it is emphasized even by the applicant that the warehouse business of this corporation is infinitesimal in size, and therefore insignificant in relation to the business as a whole. The issuance of securities by a corporation such as this should not be authorized without the approval of the Division of Corporations of the State of California.

While the construction of our laws as presently written is probably responsible for the majority of this Commission feeling justified or even obliged to arrogate unto this Commission exclusive authority in this matter, other more appropriate results could be obtained by different procedure, i.e., any means by which such warehouse business as may be conducted in the future would be handled as a separate entity. The present laws, until

they are clarified or corrected by amendment, make for improper and unscientific procedure, and could be taken advantage of in an attempt to defeat the real intent of the Corporate Securities Act of this state.

Francis Dewey
Frank W. Clark
FRANK W. CLARK
Commissioner

CERTIFIED AS A TRUE COPY

H. Matthews
Secretary, Railroad Commission
of the State of California