

Decision No. 41714

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
)
 LAWRENCE WAREHOUSE COMPANY,)
 a corporation)

for an Order authorizing the issuance)
 of 10,000 shares of Cumulative Six Per)
 Cent (6%) Convertible Preferred Stock)
 for cash, and 4,000 shares of Common)
 Stock of No Par value to be held for)
 use in conversion of said Preferred)
 Stock for Common Stock, upon request)
 of the holders thereof at the ratio of)
 2-1/2 shares of said Preferred Stock for)
 1 share of Common Stock.)
 -----)

Application
No. 29380

O P I N I O N

Lawrence Warehouse Company asks the Commission to enter an order authorizing it to issue and sell 10,000 shares of its cumulative 6% convertible preferred stock having a par value of \$25 per share at a price to net Applicant not less than \$23.125 per share, and use the proceeds to pay outstanding bank loans. Applicant also asks permission to issue 4,000 shares of its no par common stock, to be held by Applicant in its treasury to be exchanged for cumulative 6% convertible preferred stock on the basis of 2-1/2 shares of said preferred stock for 1 share of common stock, at the request of the holders of said preferred stock.

Applicant is a corporation organized and existing under and by virtue of the laws of the State of California. It is engaged in the business of public warehousing in the State of

California and in various parts of the United States. It now operates approximately 1,866 field warehouses in 46 states of the United States, in the Territory of Puerto Rico, in the Philippine Islands, and in Canada. It also operates under permits issued by the Alcohol Tax Unit, Bureau of Internal Revenue, 24 bonded field warehouses for the storage of wine in the State of California and 2 in the State of Michigan, and bonded warehouses for the storage of distilled spirits in Chicago, Illinois, Alviso, California, and Salem, Oregon. In its 1947 annual report, Applicant shows public utility warehouse operating revenues of \$50,199.89 and other revenues of \$13,327,683.51. Its net income for 1947 amounted to \$239,439.84.

As of April 30, 1948, Applicant's balance sheet shows assets and liabilities as follows:

<u>Assets</u>	
Warehouse property and equipment	\$ 13,662.54
Other property	299,044.33
Investment in securities	5,000.00
Cash	93,243.00
Special deposits	23,914.85
Notes receivable	75,379.41
Accounts receivable	
Advances for customers	867.62
Due on storage charges	4,338.11
Other accounts receivable	1,605,030.04
Materials and supplies	50,994.84
Prepayments	<u>112,587.40</u>
Total Assets	<u>\$2,284,062.14</u>

Liabilities

Capital stock	\$ 533,745.00
Notes payable	426,000.00
Accounts payable	209,832.19
Accrued liabilities not due	345,786.91
Reserve for accrued depreciation	146,698.03
Other reserves	9,176.91
Reserve for amortization of intangibles	33,334.00
Other credit accounts	1,326.68
Profit and loss balance	566,780.72
Paid-in surplus	<u>11,381.70</u>
Total Liabilities	<u>\$2,281,062.14</u>

Applicant has an authorized stock issue as follows:

- A. 150,000 shares of common stock of no par value
- B. 7,553 shares of cumulative 6% preferred stock, having a par value of \$10 per share
- C. 20,000 shares of cumulative 6% convertible preferred stock, having a par value of \$25 per share.

Applicant now has outstanding 25,784 shares of common stock of no par value, and 6,409 shares of cumulative 6% convertible preferred stock of the aggregate par value of \$160,225. None of Applicant's 6% preferred stock is presently outstanding.

Applicant's outstanding notes consist of the following:

The Bank of California N.A.	4%	\$ 76,000
The Bank of America N.T. & S.A.	4%	100,000
American Trust Company	4%	<u>250,000</u>
Total		<u>\$426,000</u>

Under the authority granted by Decision No. 33718, dated December 10, 1940, Applicant issued and sold 10,000 shares of its cumulative 6% convertible preferred stock. Of these shares, as said, there remain now 6,409 outstanding.

To obtain funds to pay bank loans, now due or about to become due, Applicant asks permission to issue and sell, at not less than \$23.125 per share, 10,000 shares of its cumulative 6% convertible preferred stock. The stock will be offered to the public at \$25 per share. It is of record that Applicant, through the use of funds in the sinking fund, has acquired outstanding cumulative 6% convertible preferred stock at prices ranging from 23-3/4 to 25-1/2 per share. The price at which it proposes to issue the new shares of stock appears reasonable.

Applicant's Articles of Incorporation give the holders of the cumulative 6% convertible preferred shares an option to convert said shares of stock at the rate of 2-1/2 shares of cumulative 6% convertible preferred stock for 1 share of common stock. Because of this conversion right, Applicant asks permission to issue and hold in its treasury 4,000 shares of its common stock.

O R D E R

The Commission having considered Applicant's 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 Lawrence Warehouse Company through the issue of 10,000 shares of its cumulative 6% convertible preferred stock and 4,000 shares of common stock is reasonably required by it for the purpose herein stated, 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. Lawrence Warehouse Company may issue and sell, on or before December 31, 1948, at not less than \$23.125 per share, 10,000 shares of its cumulative 6% convertible preferred stock, and use the proceeds to pay outstanding bank loans.

2. Lawrence Warehouse Company may issue not exceeding 4,000 shares of its common capital stock and hold such shares in its treasury for the purpose of exchanging its cumulative 6% convertible preferred stock having a par value of \$25 per share, on the basis of 2-1/2 shares of such preferred stock for 1 share of common stock, at the request of the holders of such preferred stock.

3. Within fifteen (15) days after the effective date of the Letter of Notification pursuant to Regulation A of the Securities Act of 1933, as amended, with a form of Prospectus attached thereto, relating to said preferred stock, filed with the Securities and Exchange Commission, Lawrence Warehouse Company shall file with this Commission a copy of said Letter and Prospectus; also, a copy of the Underwriting Agreement covering the sale of said shares of preferred stock.

4. Lawrence Warehouse Company shall file with the Public Utilities Commission such report, or reports, as are required by the Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

5. The authority herein granted will become effective upon the date hereof.

Dated at Los Angeles, California, this 15th day of June, 1948.

R. J. Dwyer
Justin J. Calver
Harold P. Kula
Samuel D. Potter
Commissioners