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Decision No. 16319.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of)
CONSOLIDATED MOTOR FREIGHT LINES, INC.)
for an order authorizing the issue of) Application No. 12217
stock.)

Devlin and Brookman,
by Douglas Brookman, for applicant.

BY THE COMMISSION:

OPINION

Consolidated Motor Freight Lines, Inc. asks permission to issue 27,050 shares (\$135,250.00 par value) of its capital stock of the par value of \$5.00 per share and sell such stock at \$6.25 per share.

The company further asks permission to use \$1.25 per share to pay commissions and expenses incident to the sale of the stock and use the remaining proceeds to acquire equipment and other properties and provide itself with working capital.

By Decision No. 14123 dated October 2, 1924 in Application No. 10437 (Vol. 25, Opinions and Orders of the Railroad Commission Page 433) the Railroad Commission authorized Consolidated Motor Freight Lines, Inc. to issue and sell 8037 shares (par value \$40,185.) of stock at not less than \$6.25 per share, the price at which applicant reported it could sell its stock. The authority to issue

the stock was subject, among others, to the following condition:-

"Of the proceeds obtained from the sale of the \$40,185.00 of stock, applicant (Consolidated Motor Freight Lines, Inc.) may use, if necessary, an amount not exceeding 15 percent. of the par value of stock sold to pay commissions and other expenses incident to the sale thereof, and may use the remaining proceeds to finance the cost of additional property and equipment and to provide working capital, as indicated in the foregoing opinion. Any proceeds not needed for these purposes may be expended only as hereafter authorized by the Commission in supplemental orders."

The testimony in the proceeding now before the Commission shows that applicant has paid a commission of 15 percent. to sell its stock and has expended additional sums to pay expenses incident to the sale of such stock. In our opinion the practice of applicant constitutes a violation of the Commission's order. When this Commission grants a utility permission to issue securities and fixes the terms and conditions under which such securities may be issued and sold, it expects and must require the officers of the utility to comply with its orders. If such orders are violated, we believe that they and not the company or its innocent stockholders should be required to make restitution.

In view of this situation, and until restitution has been made, we do not feel that we can consider the authorization of any further issue of securities by applicant corporation. When, therefore, and not until, this Commission is furnished with satisfactory evidence that the officers of Consolidated Motor Freight Lines, Inc. have returned to the company the amount expended in connection with the sale of its stock in excess of the amount heretofore allowed by the Commission, the Commission will give further consideration to the request of applicant for permission to issue additional stock. In the meantime we believe that the application now pending before the Railroad Commission should be denied without prejudice.

ORDER

Consolidated Motor Freight Lines, Inc., having applied to the Railroad Commission for permission to issue \$135,250.00 of stock, a public hearing having been held before Examiner Fankhauser and it appearing that the company has issued stock in violation of the terms and conditions of this Commission's Decision No. 14123, and it being the Commission's opinion that the pending application should be denied without prejudice to its renewal at such time as applicant has furnished satisfactory evidence showing that its officers, who have been responsible for issuing stock in violation of the terms and conditions of the Commission's said Decision No. 14123, dated October 2, 1924, have returned to applicant an amount equal to the amount expended for commissions and expenses incident to the sale of stock in excess of the amount allowed by the order in said Decision No. 14123, now, therefore,

IT IS HEREBY ORDERED that this application be, and it is hereby, denied without prejudice.

DATED at San Francisco, California, this 29th day of March, 1926.

W. B. Dandridge
C. C. Skamper
Frank W. Reed

Commissioners.

45