

LBM

Decision No. 16564.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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:

O P I N I O N

Consolidated Motor Freight Lines, Inc. asks permission to issue 27,050 shares (\$135,250. par value) of its common capital stock of the par value of \$5.00 per share and sell such stock at \$6.25 per share, and use the proceeds for the purposes hereinafter set forth.

On March 29th the Commission by Decision No. 16319 denied without prejudice the above entitled application. Quoting from the Commission's order in said Decision No. 16319--

" 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."

An affidavit of C.E. Smith, applicant's secretary and auditor, filed with the Commission on April 2, 1926, recites that its officers have returned to applicant an amount (\$7,996.) equal to the amount of

expended for commissions and expenses incident to the sale of stock in excess of the amount allowed by the Commission's order in Decision No. 14123. On April 12, 1926 the Commission entered its order re-opening the above entitled matter for further consideration and determination on the record previously taken.

Consolidated Motor Freight Lines, Inc. asks permission to expend \$1.25 per share obtained from the sale of its stock to pay commissions and expenses incident to the sale of said 27,050 shares of stock and use the remaining proceeds to acquire equipment and provide itself with working capital as follows:-

| | |
|---|-----------------|
| 4 Specially built low bed trailers with special coupling attachment, tail gates, tops, sides, painting company colors, signs, etc. to be used for Berkeley division | \$6,500.00 |
| 2 two ton White tractors, cabs, windshields, head lights, and sundry accessories, company signs and painting company colors, to be used for Berkeley division | 4,000.00 |
| 10 two ton White trucks, freight bodies, cabs, tail gates, wind shields, headlights and sundry signs and painting company colors for San Francisco and Oakland "local" divisions | 26,500.00 |
| 3 Heavy duty low bed trailers, tail gates, tops, sides, company signs and painting company colors, for San Francisco division . . | 4,500.00 |
| 2 Special reinforced Fordsons, cabs, etc. signs and company colors, | 3,000.00 |
| 1 five ton White chassis, special freight body cab, tail gate, windshield, headlight, top, sides, sundry accessories, company colors and signs, painting | 5,500.00 |
| Estimated cost of building company's new freight terminal and freight sheds at Franklin Street Dock, Oakland; one story corrugated iron structure, loading platforms, dock gangways, offices, driver's quarters, storerooms, gasoline tanks, electric lighting system, water system, painting, and company signs complete | 16,500.00 |
| Estimated cost of equipping garage and repair shop with electric drills, lathe, vises, jacks, hoists, gasoline tanks, washing equipment, painting equipment, forge, etc. etc . . | 4,500.00 |
| 3 Ford runabouts(2nd hand) for freight sollicitors | <u>1,250.00</u> |

Forward..... \$ 72,250.00

Forward \$72,250.00

Estimated cost of building company's new office at Pier 19, San Francisco 1,200.00

To provide working capital for San Francisco division to care for the particularly heavy freight advances peculiar to this division for such business by way of example, the large consignments of newsprint for the Chronicle, Bulletin and other newspapers, and the large shipments of gunnics to the Hawaiian Islands, average monthly requirements, \$9,000. turnover in 60 days 18,000.00

To provide working capital for the Berkeley division recently opened--average monthly gross business to start \$3,000. 60 day turnover in accounts receivable plus fund needed for freight advances--railroads--steamers 8,500.00

To estimated cost of putting on pick-up equipment in San Francisco for creation of transbay pick-up division made necessary by growth of business:
8 two ton White trucks, special freight bodies, top sides, tailgates, signs, company colors and sundry accessories 28,860.00

To provide working capital for above new pick-up division accounts receivable 45-90 day turnover, and more particularly steamship and railroad advances, on a 30 day turnover, estimated approximately 6,500.00

Total \$135,310.00

The testimony is to the effect that applicant has need for the foregoing equipment and that its business has been increasing to such an extent that it should provide itself with additional working capital.

Applicant has filed financial statements --a balance sheet and income account statement-- which we find to be erroneous in several particulars. Such financial statements may not be used in connection with the sale of any stock herein authorized. Any financial statements prepared by applicant for use by itself, or any brokers or other person employed to sell applicant's stock

must be prepared in conformity with the Commission's Classification of Accounts prescribed for Class "A" automotive transportation companies, and a copy of such statement filed with the Commission.

Applicant asks that it be allowed to sell its stock at \$6.25 per share (par value \$5. per share) and use, of the proceeds, \$1.25 to pay commissions and expenses incident to the sale of such stock. We will not allow the expenditure of \$1.25 per share for commissions and other expenses that may be incurred in connection with the sale of the stock. We question the wisdom of this company selling its stock at a premium of 25 percent. While we expect a company to get the best possible price for its securities we do not look with favor upon raising the price to the point herein indicated and using the premium to pay stock selling expenses. The order herein will authorize the company to sell its stock for cash at not less than par. Whether the company receives par or more than par for its stock, it will be permitted to expend not more than 15 percent of the par value of the stock sold to pay commissions, salaries of those who may be employed to sell said stock, advertising expenses and/or any other expenses which may be directly or indirectly incurred in connection with the sale of the stock herein authorized to be issued.

ORDER

Consolidated Motor Freight Lines, Inc. having applied to the Railroad Commission for permission to issue 27,050 shares (\$135,250. par value) of its common capital stock, a public hearing having been held and the Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required by applicant and that this application should be granted, as provided in this order, therefore,

IT IS HEREBY ORDERED that Consolidated Motor Freight Lines, Inc., be, and it is hereby, authorized to issue and sell for cash

on or before October 1, 1926, at not less than par, 27,050 shares of stock of the par value of five dollars per share, and use, if necessary, an amount equal to 15 percent of the par value of the stock sold to pay commissions or brokerage fees, cost of advertising, and all other expenses incident directly or indirectly to the sale of said stock, and use the remaining proceeds only for the purposes set forth in the opinion which precedes this order, or for such other purposes as may be hereafter authorized by the Commission.

IT IS HEREBY FURTHER ORDERED that Consolidated Motor Freight Lines, Inc., be, and it is hereby, directed to file with the Commission within fifteen days after the date hereof a copy of its balance sheet as of March 31, 1926, together with an income account, operating revenue and operating expense statement for the three months ending March 31, 1926, and thereafter to file monthly financial statements (balance sheet, income account, operating revenue and operating expenses); said statements to be filed within thirty days after the close of the month covered by said monthly statements. All of said statements are to be prepared in conformity with the classification of accounts prescribed by this Commission.

IT IS HEREBY FURTHER ORDERED that Consolidated Motor Freight Lines, Inc., be, and it is hereby, directed to file with the Commission a copy of each and every financial statement prepared for use by itself, its brokers or agents in connection with the sale of the stock herein authorized to be issued and sold, also a copy of any prospectus or other literature that may be distributed in connection with the sale of said stock.

IT IS HEREBY FURTHER ORDERED that the authority herein granted will become effective upon the date hereof and that applicant shall keep such record of the issue and sale of the

stock herein authorized and of the disposition of the proceeds as will enable it to file on or before the 25th day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order insofar as applicable, is made a part of this order.

DATED at San Francisco, California, this 26th day of April, 1926.

H. M. Sandberg

C. A. Seay

Leon Whitell

Commissioners.