

IRA

Decision No. 16 716

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
UNITED PARCEL SERVICE OF LOS ANGELES, )  
INC., a corporation, for authority ) Application No. 12814  
to issue stock. )

Devlin and Brookman, for applicant.

BY THE COMMISSION:

O P I N I O N

In this application United Parcel Service of Los Angeles, Inc., asks the Railroad Commission to make an order authorizing it to issue \$70,000. of its common capital stock.

The application shows that United Parcel Service of Los Angeles, Inc. was organized on or about July 9, 1923; that it was then the intention of those in control of the affairs of the corporation to engage solely in an intracity pickup and delivery service within the City of Los Angeles, and not in any intercity transportation; that accordingly applicant applied to, and on November 24, 1923, received permission from the Commissioner of Corporations to issue \$50,000. of its stock; and that under such authority \$30,000. of stock was issued, in November, 1923, at par, for cash.

Subsequently, however, on April 17, 1924, by Decision No. 13429, rendered on Application No. 9934, the Railroad Commission authorized J. E. Casey to transfer to applicant a

certificate of public convenience and necessity permitting the operation of automobile delivery trucks as common carriers of packages and parcels, not exceeding 100 pounds each, in weight, between Los Angeles and points within certain suburban territory. It appears that this transfer was consummated, that applicant filed its tariffs and schedules of rates with the Commission on April 25, 1924, and that since then it has been conducting the transportation service as authorized by the Commission's decision. The acquisition of the certificate from J. E. Casey and the conduct of the operations thereunder brings the company under the jurisdiction of this Commission.

It has now developed that since the time the company's operations, in part, came within the jurisdiction of the Commission that it has issued \$70,000. of stock, (\$44,000. on July 31, 1924, and \$26,000. on May 31, 1925), without first receiving permission from this Commission. It is recited in the petition, however, that the company issued such stock under the belief that the authority obtained from the Commissioner of Corporations permitted such issuance, and that it was not necessary to obtain further authority from the Railroad Commission. Although the business of the company, at first, when it received its authorization from the Commissioner of Corporations and issued the first \$30,000. of stock, may have been confined within the city limits of Los Angeles, we believe that because its operations later were brought under the jurisdiction of this Commission, it should have applied to this Commission before issuing any securities since that time. As no application was made to this Commission, we believe the issue of the additional \$70,000. of stock to be void.

Upon being apprised of the opinion of the Commission the company filed this application requesting permission to issue stock in lieu of that issued without authority from the Commission. In support of this request it alleges that the \$70,000. of stock was sold at par for cash and the proceeds used for capital purposes, and not for operating expenses. In this connection it reports that it has in operation eighty-nine Ford pick-up and delivery cars, which were purchased for \$57,792., all of which has been paid; that in addition it has expended the sum of \$24,825. for terminal equipment in Los Angeles and sub-terminals in Long Beach and Pasadena; and that in addition it has found it necessary to provide working capital of about \$45,000., practically all of its business being conducted on a credit basis requiring the carrying of a large volume of accounts receivable from one to two months. These three items aggregate \$127,617. and were provided, in part, it is said, through the issue of the \$70,000. of stock.

We have given consideration to this application and it clearly appears to us that the corporation was unaware of the necessity of securing the approval of the Railroad Commission and that it issued its stock, without such approval, through inadvertence and with no intent to evade the provision of any act. We believe, therefore, that the application should be granted, and accordingly will enter an appropriate order in this matter.

#### ORDER

United Parcels Service of Los Angeles, Inc. having applied to the Railroad Commission for permission to issue

\$70,000. of stock, and the Railroad Commission being of the opinion that this is a matter in which a public hearing is not necessary and that the money, property or labor to be procured or paid for by such issue is reasonably required for the purposes specified herein and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expense or to income,

IT IS HEREBY ORDERED that United Parcels Service of Los Angeles, Inc. be, and it is hereby, authorized to issue at par \$70,000. of its common capital stock in lieu of the \$70,000. of stock heretofore issued without an order from this Commission, for the purpose of financing in part the cost of auto truck and terminal equipment and of providing itself with working capital.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall become effective upon the date hereof and that applicant shall keep such record of the issue and delivery of the stock herein authorized as will enable it to file within thirty days thereafter 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 12<sup>th</sup> day of May, 1926.

H. B. Brundage  
Chairman

Leon A. White

Commissioners.