

ORIGINAL

Decision No. 18128

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Joint Application of)
 A.C. WOODARD AND OAKLAND-SAN JOSE)
 TRANSPORTATION CO.,)
 a corporation, for permission to issue)
 and sell securities of said Oakland-)
 San Jose Transportation Co., and for)
 permission for A. C. Woodard to sell his)
 franchise and business to Oakland-)
 San Jose Transportation Co.)

Application No. 13471

J. W. O'Neill, for applicants.

BY THE COMMISSION:

OPINION

This is an application in which the Railroad Commission is asked to authorize A. C. Woodard to transfer certain operative rights and properties used in the conduct of a truck transportation business, to Oakland-San Jose Transportation Co., a corporation, and to authorize the corporation to issue \$36,500.00 of common stock and \$39,400.00 of preferred stock.

The record shows that A. C. Woodard, doing business under the firm name and style of Oakland-San Jose Transportation Co. is engaged in transporting freight and express by auto trucks

between Oakland and San Jose and other points. It appears that he has decided that the business can be operated better and funds for additional equipment obtained more readily by a corporation and for that reason has caused the organization of Oakland-San Jose Transportation Co., a corporation, for the purpose of receiving his operating rights and properties and thereafter of conducting the business, his testimony herein showing, however, that there will be no change in the management and method of operation as a result of the proposed transfer.

The Articles of Incorporation of Oakland-San Jose Transportation Co., a copy of which is attached to the petition, show that it was organized on or about January 4, 1927, with an authorized capital stock of \$200,000.00, consisting of 2,000 shares of the par value of \$100.00 each divided equally into common stock and eight percent cumulative preferred stock redeemable at 103 at any time after three years. The corporation proposes at this time to issue \$31,500.00 of common stock to A. C. Woodard in part payment for his rights and properties and to issue and sell \$5,000.00 of common stock and \$39,400.00 of preferred stock for the purpose of providing funds to liquidate indebtedness to be assumed in connection with the acquisition of such properties, to finance the cost of additional equipment and to furnish working capital.

The operative rights to be transferred to the corporation are those heretofore acquired by A. C. Woodard under authority granted by the Commission by Decisions Nos. 7974, 12058, 12751, 13321 and 14467. It appears that by Decision No. 7974, dated August 10, 1920, in Application No. 5965, A. C. Woodard was authorized to purchase the operative right to conduct an automobile

truck line as a common carrier of freight and express between Oakland and San Jose and intermediate points, and that by Decision No. 12058, dated May 8, 1923, in Application No. 8971, he was authorized to purchase the operative right to conduct his operations between San Jose and Haywards and intermediate points and between San Jose and Livermore and intermediate points.

Thereafter by Decision No. 12751, dated October 25, 1923, in Application No. 9163, A. C. Woodard was authorized to establish through rates over his various routes, no authority being granted, however, for through truck service between Oakland and Livermore. By Decision No. 13321, dated March 25, 1924, in Application No. 7987, he was authorized to file joint rates with Merchants Express and Drayage Company quoting class rates and minimum charges between San Francisco and all points beyond Oakland to and including Irvington, and by Decision No. 14467, dated January 17, 1925, in Application No. 10036, to establish through rates and joint rates with Drayage Service Corporation, H. L. Hinman, doing business under the firm name and style of Merchants Express and Drayage Company, H. L. Hinman, doing business under the firm name and style of Oakland Parcel Delivery Company, William Bolt, doing business under the firm name and style of Kellogg's Express Company and R. H. Rasmussen and J. C. Svane, co-partners doing business under the firm name and style of Santa Fe Express and Drayage Company, for the transportation of freight between San Francisco on the one hand and San Leandro and Wayne and intermediate points on the other hand, and also, between San Francisco on the one hand and Sunol and Livermore on the other, no authority being granted, however, for the establishment by A. C. Woodard of a through truck service between Oakland and Livermore. The order herein should not be construed as permitting the establish-

ment of such through service.

The other properties to be transferred include current assets, materials and supplies, office furniture and fixtures and eleven trucks and automobiles. The assets and liabilities of the business, as of December 1, 1926, are reported as follows:-

ASSETS:

Automobile equipment	\$37,349.52	
Furniture and fixtures.	3,187.02	
Machinery and tools	1,891.20	
Franchise (cost).	1,912.97	
Cash.	1,501.22	
Accounts receivable.	4,533.78	
Prepayments	<u>1,008.40</u>	
Total Assets		<u>\$51,384.11</u>

LIABILITIES:

Capital investment	\$16,379.20	
Notes payable	800.00	
Contracts payable	8,346.73	
Accounts payable	2,077.49	
Interest due.	31.77	
C.O.D.'s payable	1,128.52	
Reserve for depreciation	<u>22,620.40</u>	
Total Liabilities		<u>\$51,384.11</u>

Applicant, A. C. Woodard, reports that since the date of the balance sheet he has acquired two additional cars at a cost of \$14,380.24, and further, that in the past he has charged off depreciation on trucks at the rate of twenty-five percent per annum, which he alleges was excessive and resulted in an understatement of the assets by the amount of \$12,898.85. Adding the \$14,380.24 and the \$12,898.85 to the reported investment of \$16,379.20 results in a total of \$43,658.30. It appears, however, that in acquiring these properties the corporation will assume the payment of indebtedness of \$10,235.11, consisting of contracts payable within a period of one year, and other current liabilities, which amount deducted from the \$43,658.30 will leave a balance of approximately \$31,500.00, the amount of stock the corporation proposes to issue to A. C. Woodard. Subsequent to the hearing, applicants informed

the Commission that depreciation should be calculated, and that hereafter they will calculate, depreciation on the basis of fifteen percent per annum.

Coming to the request of the corporation to issue the additional stock consisting of \$5,000.00 of common stock and \$39,400.00 of preferred, it appears that applicant proposes to sell the stock at the par value thereof, but that it asks permission to use ten percent of the proceeds to pay commissions. The record shows that it is the intention of the corporation to endeavor to dispose of the stock through its own efforts, in which case, no commission will be paid. If unsuccessful, it proposes to employ stock salesmen to market its stock.

The corporation reports that it plans to use about \$10,235.11 of the proceeds from the sale of the stock to liquidate indebtedness it will assume in connection with the purchase of properties, \$5,000.00 to pay for additional warehouse and platform equipment, \$15,000.00 to pay for additional automotive equipment and about \$9,764.89 to provide working capital. The warehouse equipment it proposes to purchase consists of two platform scales, costing about \$1,800.00, one large scale, costing about \$2,300.00 set up, three platform trucks, costing about \$600.00 and platforms and runways costing about \$300.00. The additional automotive equipment to be acquired probably will consist of two 2-ton trailers, costing about \$1,200.00 each without bodies, and two 2-1/2-ton White trucks costing about \$5,700.00 each. It is thought that the additional equipment is needed to take care of the growth in business.

ORDER

Application having been made to the Railroad Commission for an order authorizing the transfer of auto truck operating rights and properties and the issue of stock, a public hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the application should be granted, as herein provided, and that the money, property or labor to be procured or paid for through the issue of the stock 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 A. C. Woodard, doing business under the firm name and style of Oakland-San Jose Transportation Co. be, and he hereby is, authorized to transfer to Oakland-San Jose Transportation Co., a corporation, subject to outstanding indebtedness, the properties and operative rights now owned by him to which reference is made in the foregoing opinion, and Oakland-San Jose Transportation Co., a corporation, be, and it hereby is, authorized to purchase and acquire such properties and operative rights.

IT IS HEREBY FURTHER ORDERED that Oakland-San Jose Transportation Co., a corporation, be, and it hereby is, authorized to issue in part payment for the properties and rights herein authorized to be transferred \$31,500.00 of the common capital stock

and to issue and sell, on or before December 31, 1927, at not less than the par value thereof \$5,000.00 of its common stock and \$39,400.00 of its preferred stock.

The authority herein granted is subject to the following conditions:-

1. Oakland-San Jose Transportation Co., a corporation, may use, if necessary, an amount not exceeding ten per cent of the par value of stock sold to pay commissions for the sale of stock and may use the remaining proceeds for the following purposes:-

a. To liquidate indebtedness to be assumed in connection with the acquisition of the property of A. C. Woodard, about	\$10,235.11
b. To purchase additional warehouse and platform equipment as indicated in the foregoing opinion, about	5,000.00
c. To purchase additional automotive equipment as indicated in the foregoing opinion, about	15,000.00
d. For working capital, about	<u>9,764.89</u>
Total	<u>\$40,000.00</u>

Any remaining proceeds and any portion of the \$40,000.00 not used for the foregoing purposes may be used only for such purposes as the Commission may authorize in supplemental orders.

2. Oakland-San Jose Transportation Co., a corporation, 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.

3. The consideration to be paid for the property herein authorized to be transferred shall never be urged before this Commission or any other public body as a measure of value of said property for any purpose other than the transfer herein authorized.
4. Applicant, A. C. Woodard, shall immediately unite with applicant, Oakland-San Jose Transportation Co., a corporation, in common supplement to the tariffs on file with the Commission, applicant A. C. Woodard on the one hand withdrawing, and applicant, Oakland-San Jose Transportation Co., a corporation, on the other hand, accepting and establishing such tariffs and all effective supplements thereto.
5. Applicant, A. C. Woodard, shall immediately withdraw the time schedules filed in his name with the Railroad Commission and applicant, Oakland-San Jose Transportation Co., a corporation, shall immediately file in duplicate in its own name, time schedules covering service heretofore given by applicant, A. C. Woodard, which time schedules shall be identical with the time schedules now on file with the Railroad Commission in the name of applicant A. C. Woodard, or time schedules satisfactory to the Railroad Commission.
6. The rights and privileges herein authorized to be transferred may not be sold, leased, transferred nor assigned, nor service thereunder discontinued, unless

the written consent of the Railroad Commission to such sale, lease, transfer, assignment or discontinuance has first been secured.

7. No vehicle may be operated by applicant, Oakland-San Jose Transportation Co., a corporation, unless such vehicle is owned by said applicant or is leased under a contract or agreement on a basis satisfactory to the Railroad Commission.
8. Applicant, Oakland-San Jose Transportation Co., a corporation, shall file with the Railroad Commission, for approval, a copy of its book entries recording on its books of account the purchase of the properties of A. C. Woodard.
9. The authority herein granted shall become effective upon the date hereof.

DATED at San Francisco, California, this 30th
day of March, 1927.

Emergent
H. B. Bourdige
C. L. Leavelle
Thos. J. Latta

Commissioners.