

ORIGINALDecision No. 19600

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 CONSOLIDATED MOTOR FREIGHT LINES, INC.,)
 for permission to reissue and to issue)
 shares of its capital stock.)

Application No. 14489.

Athearn, Chandler & Farmer,
 by F. G. Athearn, for applicant.

BY THE COMMISSION:

OPINION

Consolidated Motor Freight Lines, Inc. has applied to the Railroad Commission for permission to issue 53,845 shares of its capital stock, of the par value of \$5.00 a share and the aggregate par value of \$269,225.00, for the purpose hereinafter set forth.

It appears that applicant was organized under the laws of the State of California on or about May 26, 1923 and that it has an authorized capital stock of \$1,000,000.00 divided into 200,000 shares of the par value of \$5.00 each, all common. Heretofore it has been authorized to issue stock as follows:-

<u>Decision Number</u>	<u>Date of Decision</u>	<u>Number of Shares</u>	<u>Par Value</u>
9421	August 15, 1921	4750	\$23,750.
10566	June 8, 1922	2180	10,900.
11419	December 29, 1922	8100	40,500.
14123	October 2, 1924	8037	40,185.
16564	April 26, 1926	<u>27050</u>	<u>135,250.</u>
	Total	<u>50117</u>	<u>\$250,585.</u>

It is reported that all of the stock authorized by the Commission was issued and that in addition 2,218 shares of the aggregate par value of \$11,090.00, which were not authorized by the Commission, were also issued, making a total issue of 52,335 shares of the aggregate par value of \$261,675.00.

On November 12, 1926, the then directors of applicant caused the incorporation, under the laws of the State of Nevada, of a corporation known as Consolidated Motor Freight Lines Company with an authorized capital stock of \$1,000,000.00, divided into 50,000 shares of the par value of \$20.00 each, and attempted to transfer to it all the assets, operative and non-operative, of applicant, except three White trucks in exchange for 12,500 shares of stock of the par value of \$250,000.00. Thereafter the offer was made to applicant's stockholders to exchange their stock for the stock of the Nevada corporation on the basis of four shares of applicant's stock, of the par value of \$5.00 each, for one share of the Nevada corporation's stock of the par value of \$20.00.

Pursuant to this offer it is reported that 50,200 shares of applicant's stock, of the par value of \$251,000.00, were so exchanged and that 2,135 shares of the par value of \$10,675.00 were not exchanged. It is alleged that in addition to the stock of the Nevada corporation given in exchange for these shares so converted, other shares of the Nevada corporation were sold and the proceeds used by applicant in the conduct of its business, a total of 13,461-1/4 shares of the Nevada corporation, of the total par value of \$269,225.00 having been issued, either in exchange for \$251,000.00 of applicant's stock or for cash from purchasers. Since then, according to the record, the Nevada corporation has

forfeited its charter.

The record also shows that following these transactions a new board of directors was elected. Counsel for applicant and its present directors question the validity of the transfer of applicant's assets, the issue of the stock of the Nevada corporation and the exchange of such stock for applicant's stock. They now propose, as a step in applicant's reorganization, to cause the re-transfer of the assets of the Nevada corporation to applicant and to issue, or re-issue, shares of its stock for the 13,461-1/4 shares of stock of the Nevada corporation in the same ratio as the original conversion was made. This will call for the issue of 53,845 shares of applicant's stock of the par value of \$269,225.00.

The plan proposed is believed by applicant's officers to be the only fair and equitable one to follow with reference to the holders of the stock of the Nevada corporation who heretofore acquired such stock by purchase or by surrender of applicant's stock. Carrying it into effect and eliminating the Nevada corporation will, it is thought, remove certain legal questions now existing concerning some of applicant's operations and transactions. In addition it is reported that the new management has had all of the books and records rewritten and set up in accordance with the classification prescribed by this Commission and that it has found it possible to effect economies and reductions in operating costs to such an extent that it should realize an operating profit and be in a position where it can render better transportation service.

Under the circumstances surrounding this company we will authorize it to issue, or re-issue, its shares of stock as applied for in this application. Ordinarily applications

of this nature would be denied by the Commission. We feel, however, that the granting of this application should and will assist applicant's officers to reorganize its affairs and place it on a better basis.

O R D E R

Consolidated Motor Freight Lines, Inc. having applied to the Railroad Commission for permission to issue 53,845 shares of stock for the purpose indicated in the foregoing opinion, a public hearing having been held before Examiner Fankhauser 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 for the purpose specified in this order and 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 as herein provided,

IT IS HEREBY ORDERED that Consolidated Motor Freight Lines, Inc. be, and it hereby is, authorized to issue 53,845 shares of its capital stock of the aggregate par value of \$269,225.00 in exchange for the outstanding 13,461-1/4 shares of the stock of Consolidated Motor Freight Lines Company, of the aggregate par value of \$269,225.00. on or before October 1, 1928.

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

1. Applicant during 1928 shall file with the Commission quarterly statements showing the operating revenue and expenses, income and profit and loss accounts, the first statement to be filed on or before

April 30th covering the first three months of the year and the remaining statements on or before thirty days following the close of each quarter.

2. Applicant shall keep such record of the issue and delivery of the stock herein authorized 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 authority herein granted will become effective upon the date hereof.

DATED at San Francisco, California, this 13th
day of April, 1928.

Leon Whitell

C. S. Seaver

Tom D. [unclear]

W. J. [unclear]

Commissioners.