

DM

Decision No. 10033.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of
Thomas Richards for an order grant-
ing permission to sell and transfer
all his rights, title and interest
in various auto truck routes operat-
ed, including equipment, office fix-
tures and good will of the business
to Richards Trucking and Warehouse
Company, a corporation,

A N D

Application of Richards Trucking and
Warehouse Company, a corporation, for
an order granting permission to pur-
chase such auto truck lines and to op-
erate same hereafter.

In the Matter of the Application of
Richards Trucking and Warehouse Com-
pany for permission to issue shares
of stock to known individuals and
not to the public.

Application Number 7355.

Application Number 7346

CHARLES H. TRIBIT, JR.,
for Applicant.

BY THE COMMISSION:

O P I N I O N

The above entitled matters were consolidated for hearing
and decision at the public hearing held before Examiner Williams in
Los Angeles.

In Application Number 7355, Thomas Richards, operating
an auto stage business under the fictitious name of Thomas Richards
Motor Express, asks permission to sell and transfer, the properties

and operative rights of his business to Richards Trucking and Warehouse Company. Richards Trucking and Warehouse Company joins in the application and asks permission to purchase and acquire such properties and rights.

In Application Number 7346 Richards Trucking and Warehouse Company asks permission to issue at par, 1826 shares (\$182,600.00) of its capital stock for the following purposes:-

- a. \$75,000. of common stock to Thomas Richards and Florence H. Richards in part payment for the properties of the Thomas Richards Motor Express.
- b. \$2500. of common stock to Florence H. Richards in payment of indebtedness due her from Thomas Richards Motor Express.
- c. \$5000. of preferred stock to L.C. Phipps in payment of indebtedness due from Thomas Richards Motor Express.
- d. \$100. of common stock to W. C. Loughbom, so he may qualify as a director.
- e. \$100,000. (\$50,000. of common and \$50,000. of preferred) of stock to be sold at par for cash and the proceeds used to acquire additional automobile equipment and other properties.

Thomas Richards reports that he is at present operating motor trucks for the transportation of freight over the following routes:-

1. Between Los Angeles, Downey, Norwalk, Anaheim, Santa Ana, Orange, Garden Grove, El Modena and intermediate points.
2. Between Los Angeles, Montebello, Whittier, La Habra, Brea, Fullerton, Placentia and intermediate points.
3. Between Los Angeles, Huntington Park, Lynwood, Long Beach, Wilmington and intermediate points.
4. Between Los Angeles and Pasadena and intermediate points.

The record shows that the operative rights covering these routes were obtained by Thomas Richards by reason of having operated in good faith prior to, and continuously since, the effective date of the Auto Stage and Truck Transportation Act. We are of the opinion that the transfer of the operative rights should be permitted.

We will now consider that portion of the applications relating to the transfer of the physical property and the issue of stock.

Richards Trucking and Warehouse Company was organized on or about September 20, 1921, with an authorized stock issue of \$250,000.00 divided into 2500 shares of the par value of \$100. each. At the hearing, counsel for applicants stipulated that the Articles of Incorporation would be amended to provide for the issue of \$150,000. of common stock and \$100,000. of 8 percent. cumulative preferred stock.

The assets which the corporation proposes to acquire for \$75,000. in stock and the liabilities it intends to assume are reported, as of December 31, 1921, as follows:-

	<u>A</u>	<u>S</u>	<u>S</u>	<u>E</u>	<u>T</u>	<u>S</u>	
Cash in office fund							\$ 50.00
<u>Equipment</u>							
Trucks and Bodies						\$29,224.68	
Trailers and Bodies						5,241.24	
Garage and Shop						2,650.00	
Office Furniture and Fixtures						878.50	
Truck being built						528.22	38,522.64
Miscellaneous Supplies							1,097.46
Accounts Receivable							4,021.79
Deposit on Insurance							441.46
Payment on Real Estate							500.00
Franchises							15,000.00
Good Will							25,000.00
TOTAL							<u>\$84,633.35</u>

	<u>L</u>	<u>I</u>	<u>A</u>	<u>B</u>	<u>I</u>	<u>L</u>	<u>I</u>	<u>T</u>	<u>I</u>	<u>E</u>	<u>S</u>	
Notes Payable												\$13,007.91
L.C.Phipps										\$	5,000.00	
Florence Richards											2,500.00	
Griffith Thomas											1,400.00	
Purchase of Equipment											4,107.91	
Accounts Payable												2,665.20
Accrued Pay Roll												1,052.83
C.O.D.												1,007.31
War Tax for December												115.86
Depreciation Reserves												15,751.42
Bank Overdraft												379.70
TOTAL												<u>\$33,980.23</u>
Thomas Richards-Net worth												50,653.12
												<u>\$84,633.35</u>

Thomas Richards has filed a detailed statement describing the automobile equipment to be transferred. This statement shows that at present he is operating thirteen trucks and four trailers.

The testimony of Thomas Richards shows that the \$15,000 for franchises is an amount assumed as representing the value of his franchises and operating rights. Of this, \$5,000 is evidenced by the note to L.C.Phipps which will in turn be paid for by the issue of preferred stock. Mr. Richards further testified that in his opinion the corporation could properly be permitted to issue \$25,000 of stock for good will. This amount was arbitrarily determined by him by taking into consideration early losses in operation, when he was building up his business, and also the fact that he has been operating this business for a period of eleven or twelve years. In our opinion, the showing by applicants is inadequate to warrant the issue of \$25,000 of stock for good will; and \$15,000 for franchises and operating rights.

Deducting \$40,000 from the total assets, leaves a value of \$44,633.35 for the properties to be transferred. However, against the properties applicants report \$18,228.81 of current liabilities, payment of which will be assumed by the corporation. Deducting \$18,228.81 from the \$44,633.35 leaves a balance of \$26,404.54 against which the corporation may properly be permitted to issue its common stock.

The corporation desires to issue \$2,500 of common stock to refund the note in favor of Florence Richards and \$ 5,000.00 of preferred stock to refund the note payable to L.C.Phipps. Testimony shows that the \$7,500.00 represented by these notes was used

to acquire properties and franchises.

In addition, the corporation desires permission to issue and sell, at not less than par, not exceeding \$50,000. of common stock and \$50,000. of preferred stock, and to use the proceeds to pay for future additions and betterments. Thomas Richards stated that he had made arrangements to purchase for \$40,000. a lot 150 feet by 150 feet located near Seventh and Alameda Streets, Los Angeles. This lot, it appears, is improved by two brick buildings and will be useful to applicant for warehouse purposes. Applicant was unable to advise the Commission definitely as to what it proposes to do with the balance of the proceeds, and the order herein will accordingly provide that all proceeds from the sale of the \$100,000 of stock, excepting the \$40,000 to be expended for the lot, be deposited in a special account and expended only as authorized by the Commission in a supplemental order. Thomas Richards proposes to sell the stock, when and as needed, to his customers and friends and not to offer it generally to the public.

ORDER

Application having been made to the Railroad Commission for permission to transfer properties and to issue capital stock, a public hearing having been held and it appearing to the Railroad Commission that the application should be granted, as herein provided and subject to the conditions and provisions of this order,

IT IS HEREBY ORDERED that Thomas Richards be, and he is hereby, authorized to transfer and sell, and Richards Trucking and Warehouse Company, a corporation, be, and it is hereby, authorized to purchase and acquire, the properties and operative rights owned and operated by Thomas Richards under the fictitious name of Thomas Richards Motor Express.

IT IS HEREBY FURTHER ORDERED that Richards Trucking and Warehouse Company be, and it is hereby, authorized to issue on or before September 30, 1922, not exceeding \$134,000 of its capital stock and to assume the payment of the indebtedness of Thomas Richards, reported in the preceding opinion.

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

1. Thomas Richards, operating under the fictitious name of Thomas Richards Motor Express, shall cancel immediately all time schedules, tariffs, rates and classifications at present on file with the Railroad Commission, and Richards Trucking and Warehouse Company shall file immediately new time schedules, tariffs, rates and classifications, or adopt as its own the time schedules, tariffs, rates and classifications heretofore filed by Thomas Richards, all schedules, tariffs, rates and classifications to be identical, with those heretofore filed by Thomas Richards, such cancellations and filings to be in accordance with the provisions of General Order No. 51 and other regulations of the Railroad Commission.
2. The rights and privileges, transfer of which is hereby authorized, may not again be transferred, assigned, leased, sold, hypothecated, or operation thereunder discontinued unless the written consent of the Railroad Commission to such transfer, assignment, lease, sale, hypothecation or discontinuance shall first have been secured.
3. No vehicle may be operated by Richards Trucking and Warehouse Company under the authority contained in this decision unless such vehicle is owned by said company or leased by it under a contract or agreement on a

basis satisfactory to the Railroad Commission.

4. The stock herein authorized shall be issued for the following purposes:-

a- To pay in part for the properties herein authorized to be transferred	\$26,400.
b- To L. C. Phipps in payment of indebtedness-preferred stock	5,000.
c- To Florence Richards in payment of indebtedness-common stock	2,500.
d- To W. C. Loughbom at par and proceeds used for working capital	100.
e- To sell, at not less than par, \$50,000 of preferred and \$50,000 of common stock	<u>100,000.</u>
TOTAL	<u>\$134,000.</u>

5. None of the preferred stock may be issued, sold or delivered until Richards Trucking and Warehouse Company has filed with the Commission a copy of its amended Articles of Incorporation.

6. Of the proceeds from the sale of the \$100,000 of stock referred to in subsection "4" above, \$40,000 may be used to pay the cost of the lot referred to in the preceding opinion, and the balance shall be deposited in a separate bank deposit and expended only for such purposes as the Railroad Commission may authorize hereafter.

7. Richards Trucking and Warehouse Company shall keep such record of the issue, delivery 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 in so far as applicable, is made a part of this order.

DATED at San Francisco, California, this 30th day of January, 1922.

H. C. Phipps

Florence Richards
W. C. Loughbom
Commissioners.